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The Washington Monthly

APRIL 1975/$1.25

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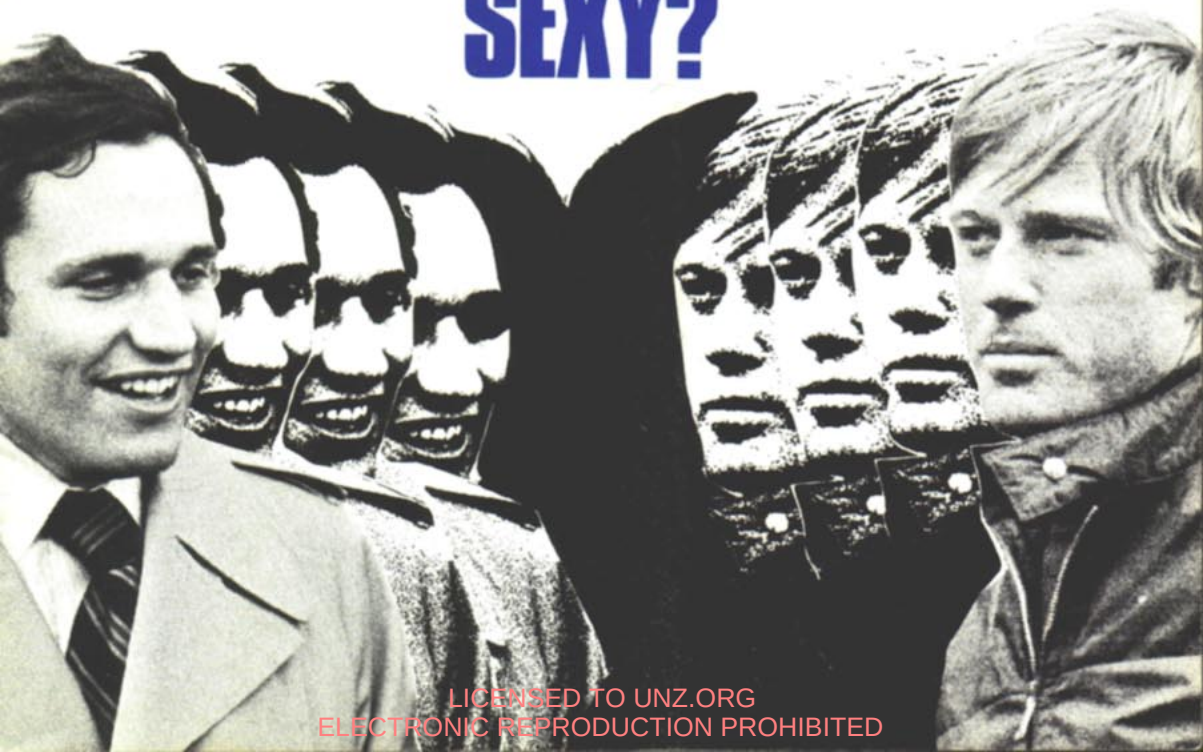

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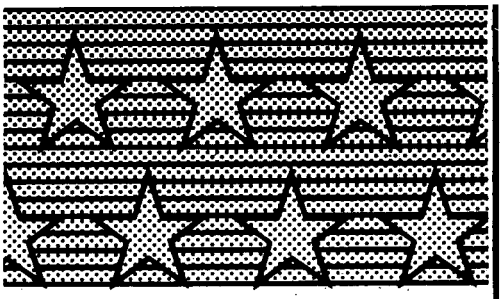

Watchmen in the Night

Presidential Accountability after Watergate

Theodore C. Sorensen

foreword by James MacGregor Burns

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Published monthly except combined July/August issue by The Washington Monthly Co.,
1028 Connecticut Ave., N.W., Washington, D.C. 20036
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Subscription rates: U.S. and possessions—
$15, one year; $25, two years; $33, three years.
Foreign, including Canada, $2.00 per year additional, surface; air mail rates available on request.
Back issues, $1.50. Send all remittances and correspondence concerning subscriptions, undelivered copies, and changes of address to
1028 Connecticut Avenue, N.W., Washington, D.C. 20036

Unsolicited manuscripts must be accompanied by a stamped, self-addressed envelope.

Printed by The William Byrd Press, Inc.,
Richmond, Va.

Second class postage paid at Washington, D.C. and additional offices.

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VOLUME SEVEN NUMBER TWO
APRIL 1975

Cover:
Bob Woodward: Douglas Chevalier,
Robert Redford: Paramount
Design: Andrew Bornstein

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Letters

After four years covering the Pentagon for *The Washington Post*, I have learned that very few so-called press critics can resist the easy target of the Pentagon and the reporters who cover it. ["Ben Bradlee and His All-Star Revue," James Fallows, January]. It still annoys me, however, and since you find it easy to make judgments on how a reporter spends his time on the basis of two weeks worth of clippings, permit me a perhaps too lengthy reply to some of the points made in your January piece on the *Post*.

– As to your assertion that "the papers almost never carry critical assessments of the costs and purposes of specific military programs," I have attached a list of 21 such articles by me–including features, analysis, editorial page pieces and news stories that go into considerable background–which you might have come across in 1974 *alone* if you cared to take a longer look.

– Though you confine your comparisons to a two-week period, you criticize us for not stepping back several times a year to write more detailed explanations of how the Pentagon is spending our money. I don't see how you can lodge such a complaint without looking through the clips to see if we do just that. Had you looked even 10 days beyond your September 29-October 12 period, you would have found just such a lengthy analysis on the debate over rising defense costs in the October 21 paper. . . .

– As for your comment that these news stories "contained just enough on-the-other-hand material to save them from being Pentagon shills," I would point out that it is precisely to try and keep Pentagon statements in perspective that we put much more background into daily stories than you see fit to give us credit for. It seems to me that newspapers also have an impact on their readers by the quality and balance of their everyday coverage–as well as the special features–and thus it is worth the effort to get what you condescendingly call just enough "on-the-other-hand" material into what otherwise might be a heavy dose of unleavened Pentagon viewpoints that might come over the wires and onto editorial desks. . . .

MICHAEL GETLER
Washington, D.C.

The author replies:

I apologize to Michael Getler for the imbalanced impression left by my two-week survey. The best work of many other *Post* writers went unrepresented in that sample, and I apologize to them as well.

This and similar comments have convinced me to say something more about why I wrote the article in the first place. One way to go about evaluation of professional standards is to expose the least competent practitioners–in this case, a paper like the one in Austin. The other approach is to select those institutions that represent the profession's best efforts, and examine their limitations as a guide to the values and techniques toward which their competitors aspire. The latter, of course, was my reason for examining the *Post*. Such an approach produces criticisms of the might-have-been variety, demonstrations of unrealized potential rather than overt error. In juxtaposing these criticisms with emphasis on the *Post*'s pre-eminence, I was not merely making a stab at "balance;" the *Post*'s excellence, compared to other papers, was the very reason for the article.

Finally, I regret not giving Ben Bradlee adequate credit for assembling the sort of staff he has brought to the *Post*, an accomplishment that did not take place by accident. ■

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Ripping Off Con Ed

by Fred C. Shapiro

"Consolidated Edison is not in need of any exorcism of devils."

—Charles F. Luce, chairman of the board and chief executive officer of Consolidated Edison Company of New York

The hell it's not. If not devils of one form or another, how else explain the fate of this 153-year-old bulwark of American capitalism with so much going for it—more than $6 billion in assets and a net income last year of slightly more than $2.4 billion for openers—that is going to hell in an urban handbasket?

Consolidated Edison is America's prototype utility and is still second in book assets only to American Telephone and Telegraph. Enfranchised to it are nine million consumers of electricity, gas, and steam in New York City and nearly all of Westchester County, who are obligated to return to it a profit of as much as 7.9 per cent (for electricity) on its fixed assets and expenses. For electricity alone, New York residential consumers pay about twice as much as residential consumers in most other American cities—four times what people pay in Seattle. And commercial rates are worse. A recent utility survey showed that an average industry consuming 400,000 kilowatt hours monthly would be charged $25,482 in New York, $14,614 in Newark, just across the Hudson River, and as little as $5,955 in Dallas.

On the face of it, certainly, Consolidated Edison ought to be the most lucrative American monopoly this side of the United States Mint. Instead, it finds that it has (literally) turned off its most profitable accounts and has become a major component of an urban crisis that may end up engulfing it. With the flight of light industry from the city, which used to provide a steady, 24-hour patronage, the utility has been left to meet a demand that

Fred C. Shapiro is a staff writer for The New Yorker.

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peaks dangerously close to its capacity on hot summer days—when air conditioners snap on all over town—and then plunges to uneconomic levels at night. "We have to operate a whole damned system based on a need that exists only 10 to 14 days a year," Luce points out. And in order to meet even that need, Con Ed, once the industry leader in the promotion of "all-electric living," has had to beg its customers not to patronize it. Its "Save-a-Watt" campaign, which so startled its industry colleagues two years ago, may have preserved—for the time being—the utility's generation and transmission capacities, but it has played hell with its fiscal one.

What transformed mighty Consolidated Edison, "The Company You Love to Hate," as *Fortune* dubbed it in 1966, into "The Mickey Mouse Power Company" in the later monologues of Johnny Carson, is more than a simple management failure, which is the way that I, as a Con Ed rate payer (to state my bias early), saw it when I started researching this article, and which is certainly the view most people share. Like other parts of our economy that have begun falling apart, Con Ed has become a convenient scapegoat—and not an undeserving one. Why bother to look for other explanations, customers and politicians may feel, when the failures can so easily be written off to incompetence and greed? But after undertaking this article, what I found was contrary to my expectations. The company was often short-sighted and incompetent, to be sure. Its rates are stacked in favor of large and inefficient users of electricity, such as the World Trade Center, which pays as little as .65 cents per kilowatt hour, while less fortunate commercial users pay 4.27 cents, and residential consumers 5.53 (all plus fuel adjustment surcharges, of course). Luce admitted recently that Con Ed "made a mistake in estimating" the costs for servicing bulk power consumers who, in addition to the Port Authority, include the co-op city project in the Bronx, the Metropolitan Transportation Authority, and the city of New York itself. A number of consumer organizations, with names like GET (Gas, Electric, Telephone), FACE (Fight Against Consolidated Edison), AC-DC (Active Consumers Defy Consolidated Edison), and the Harlem Consumers Education Council, now devote much of their efforts to knocking down excessive Con Ed bills before the Public Service Commission.

But Con Ed's mistakes, however egregious, are not the sole cause of its difficulties. Rather it is the failure of a state and national regulatory system which dates back to 1907 and today is as outmoded as the gas light. Bluntly stated, what has happened is that the New York State Public Service Commission has stood by wringing its hands, while ripping off Consolidated Edison has developed into a major urban sport. The commission now finds itself in the position of a parent of a city kid continually and increasingly held up by his schoolmates. Rather than make the kid fight back—or otherwise protect him—the PSC/parent has genially supplied the utility/offspring with ever larger amounts of rip-off money.

Last year, when the "kid" came up busted again and was forced to suspend its quarterly dividend—an unheard of step for an urban utility in recent history—the action had national ramifications in an industry which recognizes, in the words of the president of a southern company far removed from New York, that "whatever happens to utilities, good or bad, happens to Con Ed first." Among utility investors, the ramifications were even more ominous. After all, if no profit were to be had in the nation's Number One urban monopoly, with all its obvious advantages, what would be the prospects for other corporate American utilities—and particularly the 192 other investor-owned power companies monitored by similar, and perhaps even less effective, regulatory commissions? The resulting sell-off in

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industry securities, it has been estimated, devalued the utilities by approximately $10 billion.

Typically, the Con Ed crunch was not foreseen by the New York State Public Service Commission, which bears the legal responsibility to the consumers, but instead by executives of the First National City Bank, which bore the responsibility for making the market for the holders of the utility's bonds and debentures, and whose customers would be among the first to suffer if investors lost confidence in Con Ed. The precis of the 1966 *Fortune* article on the company—"Much of its plant is old, its rates are high, its profits are low, its growth is meager; its customers are furious. But at Con Edison the aging management assumes the mantle of martyrdom, and trusts that everything will turn out all right"—provoked the bank into an unprecedented search outside the company for a new chief executive. The man they came up with in 1967 was Charles Franklin Luce, a 50-year-old former undersecretary of the Interior, and a former administrator of the Columbia Power Project at Bonneville Dam. "Don't tell me about cheap power," Luce likes to tell reporters. "At Bonneville, we sold it at two mills per kilowatt hour."

But Bonneville isn't New York City, where average residential consumers pay more than nine cents per kilowatt hour including fuel-cost passalongs and taxes, and not the least of the participants in the rip-off are an inordinate number of consumers. In 1973, Con Ed wound up with an unprecedented 9.6 per cent "unaccounted for" factor of electricity generated but not billed, while other state utilities were reporting five and six per cent. In addition, not all the service billed is necessarily paid for. In 1968 customers were $98.9 million behind in their Con Ed bills; last year, the figure soared to just about $350 million, even after a write-off of $28.8 million as uncollectible.

Equally—if not additionally—pro-

Diana H. Walker

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ficient at ripping off Con Ed are its employees. The utility's payroll has risen 60 per cent since 1968, to $351.9 million, and current pension obligations are $207 million above the assets funded for them. Before Con Ed's officers took voluntary ten per cent pay cuts last year, Luce's own annual salary was $150,000, plus $50,000 deferred, and his two chief aides drew well over $100,000, with similarly advantageous pension arrangements, plus company cars and chauffeurs.

Nor is there need to feel sorry for the rest of the company's work force of approximately 23,500. Union salaries at Con Ed range up to $7.26 per hour—plus pensions and a good deal of overtime—for high tension linemen. The staff attorneys of the Public Service Commission blame "one expensive labor contract after another" for at least part of the company's fiscal plight. In 1972, after years of such dithering, the commission acted—ineffectually—on the labor problem. Con Ed was warned to stick to the 5.5 per cent federal wage-price-increase guidelines in negotiations with its two unions. Unfortunately, however, the commission failed to give any direction on how the company might continue service in the event of a strike that was threatened when this offer was made. Con Ed considered uninterrupted service more important than a few percentage points and settled without a strike for 7.1 per cent. The PSC thereupon retaliated by disallowing the extra 1.6 per cent from the company's base of assets on which its rates are computed, thus weakening Con Ed's financial structure still further.

Featherbedding is also a way of life in both the ranks and Con Ed's executive offices. Union-negotiated manning regulations, which specify crew sizes larger than those actually required for most work details, are matched by high percentages of supervisors and officers. "This is the easiest company I know of to advance in," said a cable splicer, lounging outside a Brooklyn manhole recently. "They have a chief for almost every Indian."

"That's not hard to explain," Frank Robinson, a commission staff counsel, recently conceded. "Con Ed is understandably scared of a strike. If its unions go out, it's in a worse position than, say, the telephone company, which can turn to its parent AT&T for people to keep things running. Con Ed has to have enough managers who are able to step in and operate the system and guard it against sabotage. Electric workers, in case you haven't noticed, tend to be a lot bigger—and tougher—than telephone operators."

Lemons

Next in line to rip off Con Ed are its suppliers. Historically, the company has been a patsy for industry salesmen, particularly those who seem to promise sweeping solutions to its problems. In the early 1930s, for example, the company allowed itself to be sold on rubber-and-braid insulation. True, rubber-and-braid did a better job against water, heat, and cold than the oil-impregnated paper used since Edison's day. It took company engineers several years, however, to learn that rubber-and-braid insulation couldn't stand up to the salt spread on ice-covered streets every winter. Today, company work crews are under standing directives to replace rubber-and-braid insulated cable "whenever they find it." Unfortunately, the way they find it is when it burns out, as it did in 1972, blacking out entire neighborhoods in Queens.

Atomic industry pitchmen really did a number on Con Ed. The utility solicited the Atomic Energy Commission's first reactor license and rushed into construction at Indian Point, about 30 miles north of Manhattan, on the Hudson. Indian Point No. 1, budgeted at $55 million, came in at $127 million, and worse, it produced only 265,000 kilowatts at a time when technology was turning out fossil-fuel generators of up to a mil-

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lion kilowatts. Indian Point No. 2, built by Westinghouse for $250 million, had an 837,000-kilowatt capacity, but didn't reach it until last summer, five years late. "A lot of grief for Westinghouse and a terrible thing for us," Luce says. Con Ed has sold Indian Point No. 3 to the State Power Authority and scratched further nuclear plans, writing off planning and design costs of $11.7 million.

Certainly, however, the most notorious lemon ever sold Con Ed is "Big Allis," a million kilowatt (then the world's largest) fossil-fueled turbine generator which Allis Chalmers managed to sell the company at a contract cost of $28.8 million after it had announced publicly that it was giving up the business of building turbine generators. Big Allis went into service at Con Ed's Ravenswood plant in September 1965, and ran for only two months before suffering the first of a 7-year series of embarrassing breakdowns. Not until last year did company engineers finally get the 17-story monster machine operating to their satisfaction, generating a record 4.6 billion kilowatt hours, about 15.1 per cent of the system's total production.

Swindles and Cons

Suppliers come and go, but apparently New York construction contractors are licensed to rip off Con Ed forever. A consultant's study of 4,000 building contracts let by the utility between 1959 and 1969 showed that rigged, inflated bids cost the corporation about ten per cent of all its construction expenses, something like $30 million over the ten-year period. Seven contractors and nine companies eventually pleaded guilty to rigging bids against Con Ed and were fined up to $25,000. Did the utility then stop dealing with those who had been swindling it? With two exceptions, it did not—because these were all the contractors it had, and according to a company spokesman, "there simply were not enough other qualified contractors staffed and equipped to do all of the work."

In the end, though, nobody, but nobody, rips off Consolidated Edison as much as New York City and New York State, and the political establishments thereof. There were things Luce could do to tighten up Con Ed's lax labor, purchasing and contracting policies (and by last year he had replaced all 30 of the top officers he found at the company in 1967), but what could he do in the face of what the company's most knowledgeable kibitzer calls "the most malignant political forces anywhere"? Donald Cook is chairman of American Electric Power, a complex of Midwestern utilities directed from New York offices. Although he and Luce quarreled several years ago after Con Ed violated an industry gentleman's agreement and hired away a top AEP engineer, Arthur Hauspurg, now a Con Ed senior vice president, Cook views his New York counterpart these days with a measure of barbed sympathy. Luce, Cook said recently, "came with high hopes and rosy predictions. He was going to cut rates and deliver nothing but clean energy and better service. It was going to be the most felicitous utility that anybody could have—to judge by its press releases. That's when we started worrying about Con Ed. Anybody who knows power and knows New York knows he couldn't accomplish these things."

The "malignant political forces" which Cook cited as besetting Con Ed date all the way back to 1813 when Samuel Leggett, a banker, applied for—but didn't receive—a charter to light Manhattan with gas. It took Leggett ten years to overcome the power in the legislature of the oil and tallow sellers who fueled the primitive lamps of the time, and it was not until 1823 that he received a charter to "lay sufficient pipes and manufacture a sufficient quantity of gas for lighting the houses and public lamps in Broadway from the Battery to Grand Street."

The company's authorized history, published in 1934, does not disclose

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how much money Leggett had to spread around in Albany over the decade. Certainly his successors in the utility business, bankrolled by men like the Cornelius Vanderbilts, father and son, and Russell Sage, invested millions of dollars in the protection of their franchises—and profitable rates. By the 1880s, there were seven Manhattan gas companies, each with an exclusive territory. What brought them together in 1884 was the emergence of a common enemy: electricity. They couldn't beat Edison's new medium, so they consolidated and joined it, completing the purchase of New York Edison franchises by 1936.

Whipping Boy

Along the way, the companies that became Consolidated Edison had accommodated themselves, both openly and clandestinely, to Tammany Hall and the Albany establishment. The concept of the rate base, written into the law by the State Gas Commission, the 1904 predecessor of the Public Service Commission, enabled them to do so without cost to their backers—and, in fact, at a cost-plus profit for them.

The costliest consequence of this policy is that politicians have come to regard the utility as a dandy and painless (for them) tax collector. In 1974 Consolidated Edison paid $424.5 million, about 17 per cent of its total revenues, in local and state taxes, including a city real-estate levy that assesses generating equipment as real property. Con Ed pays fully one-eighth of all city real estate taxes, and after other levies are added in, 23 cents of every dollar the rate structure brings in goes out again to one tax collector or another. Since 1970 the company's taxes have been increasing at a fairly steady 14 per cent annually, while its basic rates have gone up only about 12 per cent annually. That way lies bankruptcy.

The company's accommodations to the political-power establishments are by no means limited to its payment of inordinate taxes. Until relatively recently, the company's work gangs were the dumping grounds for Tammany hacks and relatives of low-level city officials. The concept—if not the extent—of this payola survives today in the $113,000 that Con Ed pays each year to "hole inspectors," most of them Democratic Party functionaries or their relatives, whose ostensible duty is to inspect the streets after company crews finish repaving them. How much inspection is actually performed is anybody's guess since nobody inspects the inspectors.

The extent of accommodation, of course, corresponds to the clout of the person needing the favor. In 1959, when Mayor Wagner found himself in something of a budget jam, Con Ed obligingly bought the city's three decrepit subway power plants, paying more than $100 million up front, or about twice what the equipment was worth in terms of normal generation, and threw in for good measure an unprofitable transit power rate schedule which is estimated to have cost the company $22 million more over the next 15 years. And for the ubiquitous "power broker," Robert Moses, Con Ed was pleased to purchase $1.5 million in 1964 World's Fair bonds—and to write off a subsequent $900,000 loss as a recoverable business expense.

Finally, if it can't do anything else for a politician, Con Ed offers itself as a complaisant whipping boy, a role blocked out for it as long ago as 1899, when Mayor Hugh J. Grant campaigned for a second term by taking an axe to the the poles that held Edison electric wires over Sixth Avenue. The less colorful candidates of today, particularly those out of power, have made campaign tirades in front of Con Ed's Irving Place headquarters a routine part of New York's more recent elections, and these days, as James Wechsler observed several years ago in the *Post*, "it takes about as much courage for a political figure to attack Con Ed as it does for a columnist to

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defend motherhood."

Then New York State rips off Con Ed, too. The taxes which the company, and its customers, send to Albany pay the interest on the bonds of the New York State Power Authority, which built hydro plants on the Niagara and St. Lawrence Rivers and a pumped storage facility at Gilboa on Schoharie Creek in the Albany region. By designation of the legislature, these are "regional resources," and as such their output can be sold cheaply and directly to upstate utilities, out-of-state utilities, even a few major industrial plants—but never, never, directly to Con Ed.

If Albany has been reluctant to do right by metropolitan area ratepayers, the city's suburban neighbors have become downright obstinate about helping out. As recently as 1970, Sullivan, Rockland, and Orange Counties teamed up to block a 375,000-volt transmission line which might have brought less expensive Canadian power into the city and enabled Con Ed to retire some of its less efficient generators. And as for new generation upstate, forget it. Since Indian Point, Con Ed has been unable to build any generation independently outside its own territory. "That took us by surprise," concedes Lester M. Stuzin, the PSC's chief of power rates and valuation. "In the 1960s, there was no problem siting generation facilities. In those days, smokestacks were good things. The first inkling that there would be any problem on sites was Cornwall."

For Con Ed, Cornwall turned out to be a $25.7 million inkling. Since 1963, the company has spent that much seeking to build a two-million kilowatt pumped storage facility at Cornwall, on and behind Storm King Mountain, one of the Hudson River's most scenic points. While environmentalists and area residents fought the project all the way to the Supreme Court and back again (the current impediment is a claim by environmentalist groups, using AEC data, that the project threatens 75 per cent of

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the Hudson's striped bass resources), the estimated cost of the facility rose from $165 million to an official $457 million, and an unofficial $720 million.

Tip-toeing the Market

Perhaps the most brutal of all the rip-offs of Con Ed (or at least of its stock and bond holders) took place on Wall Street. The bankers and brokers who had made the utility a commanding institution in the money markets for well nigh a century began tiptoeing out of their own large holdings after the common stock peaked at 49½ in 1965. Many, however, continued to peddle and recommend Con Ed securities until 1973, when the analysts of Standard and Poor's blew the whistle on a $300-million bond issue. This, the financial service reported, would bring the utility's debt to more than $2.8 billion, and Con Ed would no longer meet Standard and Poor's requirement for an A rating—income two and a half times obligations. Con Ed was duly demoted one notch, to BBB, costing it an extra $33.2 million in annual interest on the new bonds and, perhaps more detrimentally, a major part of its capital market, since many trusts and pension funds are legally forbidden to purchase bonds rated lower than A.

If the Public Service Commission extended a hand to Con Ed during this capital crisis, it was only to push the utility further into it. Essentially, the commission staff gauged the trend of the equity markets less accurately than the company managers who in 1970 revised fiscal procedures, going into something they called "prefinancing." Instead of borrowing short-term money between bond issues, the company would sell more bonds than it needed immediately for cash, and lend the surplus out at short-term interest rates. The company would call in these short-term notes when it needed to finance a Con Ed project, but it kept collecting interest on them in the meantime.

After two years, the PSC concluded that this was actually costing Con Ed money—the difference between the 7.75 per cent it was paying in bond interest and the 5.75 per cent it collected in short-term interest—and the company was ordered to return to "arrearage financing," or borrowing money at short-term rates. "We warned them what would happen," says Walter Grant, Con Ed's vice president in charge of finance. "By the time we filed our brief on it, the prime rate had climbed to 9 per cent. We had just floated a 7.9 per cent bond, so that meant we'd have been ahead 1.1 per cent. If we'd kept pre-financing, I think we'd have weathered the enormous working capital demands of the last two years."

In the Red

So, after everybody else, why not the Arabs and the oil companies? Con Ed's fuel requirements are tremendous—114,000 barrels of residual oil and 11,000 barrels of distillates each day. By agreement with the city, this must all be "sweet" oil of less than .37 per cent sulphur content, the most expensive form of the fuel, and obtainable only from the Mideast. Sweet oil cost an average of $4.50 per barrel until the oil embargo began in September 1973. By the following February, the company was paying as much as $19.50 for spot quantities, and even its regular post-embargo cost of between $13 and $14 per barrel left the company with a total fuel expenditure of about $700 million for 1974—compared to the $110 million it would have paid for the same quantity of oil in 1969.

Fortunately for Con Ed—if not its customers—the Public Service Commission had decided way back in 1914 (when the electric fuel was coal) to allow New York utilities to pass along unbudgeted fuel-cost increases directly to consumers. The fuel passalong, more than two cents per kilowatt hour at the height of the oil

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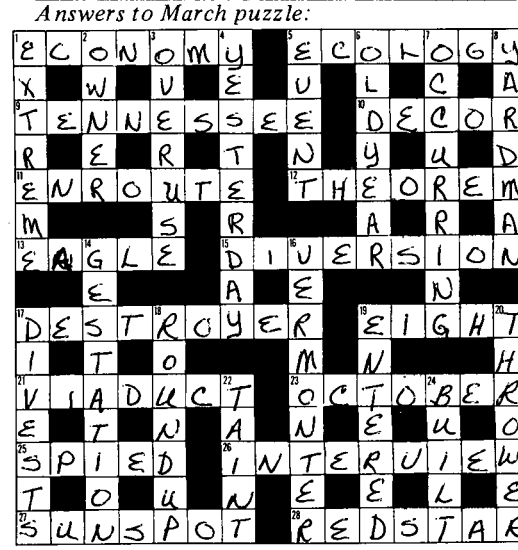
crisis, eventually paid the company back for its out-of-pocket oil payments, but it couldn't save it from a crippling cash crunch. Most of the oil the company had to buy during the embargo came under a five-day payment requirement. Effectively, this meant that Con Ed had to pay $40 million per month, immediately, and then wait two or three months until the extra fuel costs were returned—if not longer, since the higher bills induced customers to hold back on their payments. By December 1973, the utility was facing the prospect of a $12-million monthly operating loss and was so strapped for cash that it had to ask some of its more affluent accounts to help it out with immediate payments. "We'd send a man out to read the meter one day, send the bill the next, and send a messenger over to pick up the check the day afterward," company President William Lapsley recalls.

To its credit, the Public Service Commission did find a way to keep Con Ed out of the red in the last month of 1973. It simply ordered the company to juggle its books and carry as an asset fuel already burned but not yet billed to consumers in passalongs. "If we'd suggested anything like that," a Con Ed official grumbled, "they'd have screamed fraud and embezzlement—and been right." In any case, this solution, such as it was, merely staved off the day of reckoning until the following April 23, when the utility's board voted to suspend payment of the 45-cent quarterly dividend. Many of the small stockholders, including those who had oversubscribed a 6½-million share issue of the common stock at $23.375 a year before, thereupon dumped it, sending the stock down to a low of $6. At the same time, despite Con Ed's explanation that the dividend had been omitted to protect the equities of the bond and debenture holders, the corporation's bond credit was chopped down another notch to BB. Standard and Poor's president, Brenton W. Harries, explained that by passing the dividend, "Consolidated Edison has foreclosed itself for an unknown length of time from . . . the equity market." Con Ed, according to an article in *Barron's*, the financial publication, had been left "twisting slowly, slowly in the wind."

Few of the New York utility's electrical colleagues could afford to gloat over its fate, however, and, in fact, quite a number found themselves "twisting slowly, slowly in the wind" right along with Con Ed. Whatever the companies and their trade association, the Edison Electrical Institute, said about the New York utility's "purely local problem," industry investors demonstrated their belief in the national implication of Con Ed's crisis by selling down the stocks of all other American electric utilities, sending the Dow Jones industrial average back to its 1968 level. "The sanctity of utility dividends has been undermined," wailed an article in *Public Utilities Fortnightly*. "We thought it could not happen, but it did, and now we must do something about it." What most utilities did was to cut back, or eliminate altogether, their plans to raise capital, and to postpone many planned construction and expansion projects. This naturally had its effect on the Dow Jones industrial average, which was on its way down to a low of 577, with electrical industry sup-

Answers to March puzzle:



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pliers leading the way. General Electric fell off from 65 to 30, and Westinghouse lost two-thirds of its equity, plunging from 26½ to 8.

Enter the Army

Con Ed's crisis may have caused a national problem; the question was whether the company's problems were susceptible to local solutions. On a short-term basis, at least, it appeared that several might be.

The management problem first. Since the industry's no-raiding gentlemen's agreement made the hiring of qualified executives difficult, Luce called in the Army. Lapsley, the company president, is a retired Corps of Engineers major general, and nine of his top subordinates were former military colleagues. "I wouldn't be surprised to see them start requiring saluting in the corridors any day now," one of the utility's disgruntled middle managers complained recently.

Acting on a management consultant's recommendation, Luce decentralized the company to borough levels and computerized much of its paperwork. The purchasing and construction departments were overhauled and efforts were made to recruit contractors—particularly minority-group contractors—outside the normal combinations of companies that always bid on Con Ed jobs. The chairman also put teeth into Con Ed's equal-employment policy, lifting the company's minority ratio to 20 per cent and the executive minority to 8 per cent, winning a citation from *Business and Society Review*: "It's doubtful that any other large utility in the nation has made the progress Consolidated Edison has made on a number of fronts—minority employment, community support programs, purchases from minority suppliers, energy conservation, and disclosure of information."

And finally, after years of inertia, the Public Service Commission has at last begun to stir itself on behalf of Consolidated Edison consumers. It has ordered into effect a schedule of preventive maintenance on the company's generation equipment and cables. It has commissioned a consultant to survey the utility's management procedures (at a cost of $1.3 million, which Con Ed will pay) and its customer service procedures. It has also begun equalizing the rate of schedules under which large bulk users like the World Trade Center paid as little as .65 cents per kilowatt hour (exclusive of fuel passalongs) while residential consumers were charged nearly ten times as much. Possibly of greater future significance, the Public Service Commission has also agreed to hold hearings requested by all seven of the state's major electric utilities on a new approach to rate design that "may provide a fruitful basis" for achieving "energy conservation, the efficient allocation of resources and, by preventing waste, holding down the costs of service."

Sword of Damocles

Quite obviously, however, the solutions that Con Ed needs now—and the other six utilities will almost certainly need later—are of a magnitude beyond the political and mandated capabilities of the Public Service Commission. Significant, long-range help for the state's utility consumers can only come from the capital and generating resources of the Power Authority of the State of New York—which means a state takeover and public power in one form or another.

This takeover has already started with the purchase (by direction of the legislature, after a good deal of New York City lobbying) of Con Ed's still incomplete 800,000-kilowatt Astoria fossil-fueled plant for approximately $230 million (the utility took a $19.5-million book loss on the transaction). Still pending is the Authority's commitment to pay another $270 million (depending on audit) for the company's investment in Indian Point Nuclear No. 3.

The Authority's action may have

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taken the immediate pressure off Con Ed, enabling it to show a $194.5 million profit for 1974 and to restore a 30-cent quarterly dividend. The basic, long-range problems continue however—beginning with energy supplies. Already suppliers have reduced its pipeline shipments of natural gas by about 25 per cent and Con Ed, like every other gas utility in the region, has had to cut off interruptible commercial accounts. Ahead of most other regional utilities, though, it has had to petition for permission to refuse new residential customers.

The hard question that the utility is looking at, however, is when it is going to have to cut of electricity customers. This year, the last of four 600,000-kilowatt generators the company is building up the Hudson in cooperation with upstate utilities will come on line, and no further Con Ed generation construction is currently scheduled. (Even if the company does receive permission to go ahead at Cornwall, it is questionable whether it will be able to borrow the necessary construction funds; besides, Cornwall will be a pumped-storage facility, engineered to even out peak demands. It will not generate any electricity and will, in fact, if it is ever built, actually consume 600,000 kilowatts daily.) Con Ed's present peak record is 8,220,000 kilowatts; if it is to meet the 20-million kilowatt demand it expects by 1990, the company is going to have to be ready to purchase great amounts of power from outside its system (it already buys about 21 per cent of its supply) and redouble its transmission capacity.

All this is going to cost money. And then there will be increasing labor costs, beginning with new union contracts in June. "This year, because of inflation, money is our Number One issue," says James Joy, business agent of Con Ed's largest union, Local 1-2 of the Utility Workers of America. Also due soon is a hefty increase in the city real estate tax, which will cost Con Ed an additional $12 million or so annually, beginning with the present year. And finally there is the $90 million which the Atomic Energy Commission demands the company spend on a 50-story cooling tower at Indian Point to minimize the thermal pollution of the Hudson River.

These, however, are small change when compared to the company's huge financial obligation either to pay off its $2.8 billion in long-term debt or to refloat the notes over the next 30 years at massive new interest charges. It has to start soon. A $9 million issue of 2 5/8 per cent debentures comes due July 1, 1976. The next year, another $100 million in 2 5/8 per cent bonds runs out. Even if it is no longer "foreclosed" from the equity markets by then, Con Ed may not be able to roll over these notes at anything less than four times their present interest. At that rate, the company's annual debt-service obligation, $194.6 million in 1974, could top half a billion dollars within the next decade.

If Con Ed cannot meet these certain increases in its costs without forcing utility charges out of sight altogether, the only alternative may be a state takeover of the company and the issuing by the power authority of low-interest bonds backed by state credit. Luce, however, is staking his hopes on a long shot: a proposal in Congress to establish some kind of urban utility-aid agency analogous to the old Rural Electrification Administration, which would finance utility debt at low, federally subsidized interest rates. "The need of the 1930s for electricity at prices that farmers could afford," he maintains, "is not greatly different from the need of the 1970s for electricity at prices that city dwellers can afford." In the light of the present state of the national economy, Luce was asked if he really thought this was a feasible possiblity. "The city has to have electricity," he said, "so we can't assume the job is impossible." If it is, however. . . . well, it probably won't be long until we won't have Con Ed to kick around any more. ■

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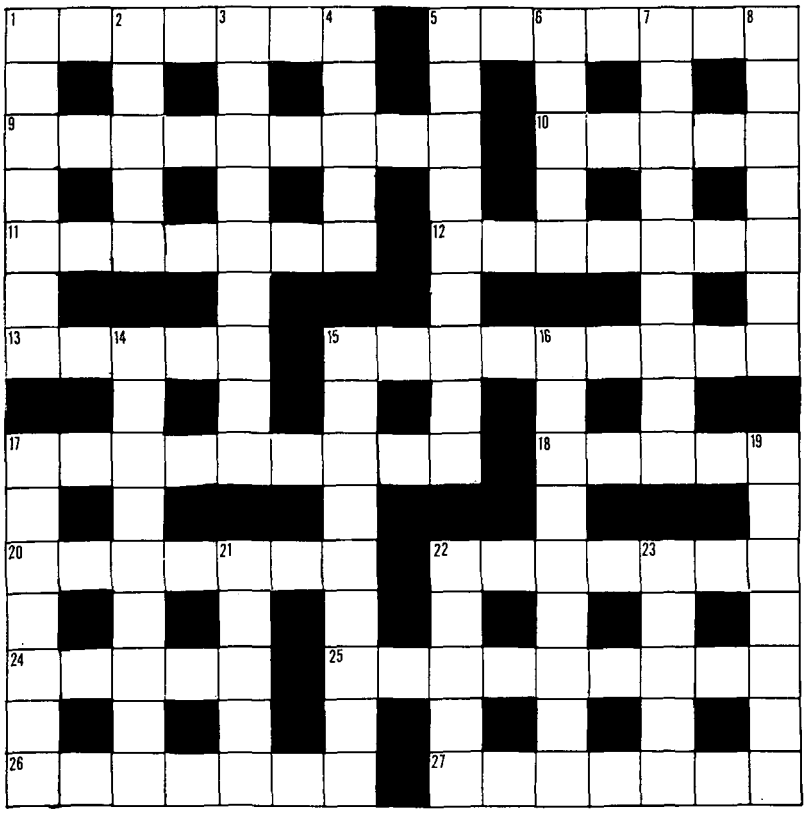
the political puzzle

by John Barclay



Across

1. Not quite the place to do Iran bit. (7)
5. Asian land with volcano in activity. (7)
9. On watch in Ghetto-like area. (9)
10. Place to mention Onassis in footnote. (5)
11. Lars takes Ike to get up on roof. (7)
12. City has mixed up this old country. (7)
13. Second person is nothing, Urey! (5)
15. Leader designed to end priest rule. (7)
17. Battles decided by steel coin. (9)
18. Let it all hang out, sir! (5)
20. In Rome, 200 lie by modern transportation. (7)
22. Had enough of Ford tie. (5,2)
24. A town god in Germany. (5)
25. Official to rearrest you. (9)
26. Loser recured. (7)
27. Stops at side streets. (7)

Down

1. Key club conservative. (7)
2. Dial one for long trip. (5)
3. Lightening of a tent beam. (9)
4. No son has high points! (5)
5. They go off in a harsh vein. (9)
6. My pet peeve is a fuelless tank. (5)
7. Wet thorns in Washington. (9)
8. Won't do a good job in Sims act. (7)
14. He's quite calm at the dunce exit. (9)
15. Tree strop helps him sharpen objections. (9)
16. Lobby groups for street sin. (9)
17. He cuts in to give an owl beer. (7)
19. Attempts to get off rest of day. (7)
21. He won't believe you can turn over New York in 199 days. (5)
22. This step is rated "X". (5)
23. Cuts old violin up. (5)

The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-word letter. Groups of letters, e.g., USA, are treated as one word. Answers to last month's puzzle are on page 13.

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Beets, Beef, and Henry Wallace

by Thomas Redburn

Over the last two and a half years, it has been difficult to avoid the pain of rapidly increasing food prices. It has been even more difficult to avoid the countless articles attempting to explain why prices have risen.

These explanations range from the Earl Butz Act of God Theory—that the price rise is due to bad weather and unkind fate, which, admittedly, are factors—to the answer many liberals find so seductive—blaming it all on agribusiness. The liberal argument is that huge and greedy corporations have destroyed the free market as they destroyed the small farmer. These all-powerful middlemen have either engineered the whole price rise, or, at the very least, given it a very substantial push. What other reason could there be for the large profit increases for the food companies while farmers are suffering from rapidly rising costs and—now—declining prices? This sentiment found its typical voice in an article by Daniel Zwerdling, in *The Progressive* of January 1975: "While food prices were pushing millions of Americans toward serious financial sacrifice and even poverty, the giants in the food industrial complex were crying all the way to the bank. . . . Giant corporations and conglomerates are maneuvering into control over vast markets in the food-industrial complex. While the U.S. Department of Agriculture (USDA) was preoccupied with analyzing price fluctuations from week to week, corporations were exerting their control over just 13 food lines to inflate prices permanently by $2.1 billion."

"Food-industrial complex," "control over vast markets," "crying all the way to the bank"—the phrases fairly

Thomas Redburn is an editor of The Washington Monthly.

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glide from the pen. The proponents of this view assert that we pay at least $2.1 billion more than we would if all the agricultural companies were small businesses freely competing. No doubt this simple view contains a germ of truth, for the agricompanies have played their role in the recent price rises. But their part is only a walk-on. Take that $2.1 billion figure, so fondly quoted by every exponent of trust-busting. It comes from a 1970 Federal Trade Commission memo. Four FTC economists I talked to doubt its accuracy. But even if it is accurate, the figure is not particularly enlightening. $2.1 billion divided by the whole U.S. population comes to only about $10 a person, or $40 for a family of four, which hardly explains the $450 *increase* in the average family's market basket cost (according to the Bureau of Labor Statistics) that took place between July 1972, when the sale of massive quantities of grain to the Soviet Union began, and January 1975, the last month for which statistics are available.

No, the full explanation is more complicated than agribusiness greed or vagaries of climate—and may be more unpleasant to contemplate than either.

Take sugar and meat, for example. These two items, which both underwent spectacular price increases, accounted together for more than *half* the total increase in the price of food. For both sugar and beef, the basic cause of the price rise was the change in the world food market from surplus to shortage. In each case, government policies aggravated the effects of the price rise.

Price Rise

Sixteen months ago, in January 1974, sugar cost about 85 cents for a five-pound bag. By December 1974, the price had risen to $3 and in some places almost $4. Largely because so many cereals, salad dressings, canned and frozen foods, bologna, soft drinks, and hundreds of snack foods contain large amounts of sugar, the price of these foods rose as well. One analyst in the Department of Agriculture estimates that 20 per cent of the total increase in food prices during 1974 was due to the inflation in the price of sugar.

Why? The answer requires a bit of background. Refined sugar comes from either sugar beets or sugar cane. Once refined the two types are interchangeable. Of our annual national consumption of sugar (11.5 million tons in 1974), roughly 30 per cent is produced from beets, which are grown extensively in the U.S. The remaining 70 per cent comes from sugar cane, two-thirds of which is imported. Domestic producers supply about 50 to 55 per cent of our sugar needs. Our domestic producers operate within a tightly controlled market. Under the Sugar Act of 1948, the Secretary of Agriculture operates an intricate system of price supports, subsidies, and quotas, with two goals—to limit the amount of sugar grown domestically and to limit the quantity of raw sugar imported from some 30 foreign countries. The purpose was to insure, by keeping the price up, that U.S. growers would continue to produce sugar instead of switching to other crops. Since our prices were generally higher than the free market price, the other sugar-producing countries of the world were pounding on our doors.

In 1973 the Department of Agriculture moved to change this system. Secretary Earl Butz was no friend of the Sugar Act. It violated his well-known antipathy toward government intervention in the agricultural economy. What is interesting is that Butz prescribed exactly what many economists and consumer advocates have suggested as the cure for our food troubles: competition.

In November 1973, the Department of Agriculture announced that there would be an Administration campaign to abolish the 1948 law. Many sugar growers were none too pleased about the proposed change, for it meant the elimination of $90

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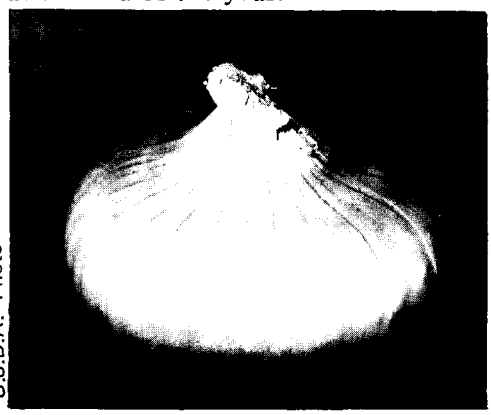
million a year in subsidies and the end of the acreage restrictions and quotas that supported the high domestic price. Butz told the growers not to worry about falling prices. He pointed to increasing demand on the world market and the diminishing world stocks of raw sugar, trends which seemed sure to keep the price up.

Butz also reminded them of the predictable cycles of supply and demand and that the price was due to rise. For years the price of sugar had followed a regular cycle. In 1964, following years of low prices when sugar was one of many surplus commodities, Cuba took nearly five million tons of sugar off the world market to sell directly to Russia. The world price rose. Sugar producers, enticed by the high prices, expanded their output, creating a six-year world-wide glut. The price fell from the 1964 high of 10 cents a pound to as low as 1.9 cents. World stocks of sugar increased far above the "equilibrium level" of 40 per cent of annual consumption, forcing prices so low that producers were losing money on every pound of sugar sold. Production stagnated. The world, however, was consuming more and more sugar, so that by January 1974 the surplus sugar stocks had been reduced to 16.5 million tons or 30 per cent of consumption. By analyzing these trends, those who followed the market in sugar could readily predict that the price of sugar would rise in 1974.

Sugar Daddy

But Secretary Butz wasn't taking any chances. He knew that to get Congress to end the Sugar Act he had to have the growers' support. And to get that, he had to be sure the price would rise. One way to push up the price would be to expand consumption faster than expected. Butz had no way of doing that, but he was able to achieve the same effect on the commodity markets merely by suggesting that consumption would rise. So Butz confidently predicted in January 1974 that United States consumption of sugar would reach 12.5 million tons in 1974. This was astonishing news—a nine-percent increase when in the last 25 years consumption had never risen more than three per cent from one year to the next. (In the end Butz' estimate proved to be nine per cent too high.)

On top of the news that the Sugar Act would probably die, this prediction created such uncertainty in the commodity market that the price of sugar jumped 50 per cent. By July raw sugar cost 26 cents a pound. The satisfied producers did not lobby against Butz' proposed action, and Congress agreed to let the Act run out at the end of the year.



U.S.D.A. Photo

At the same time, news from Europe and the Soviet Union that sugar beet crops were being destroyed by bad weather helped keep sugar prices rising through the summer and fall. Meanwhile, decisions were being made elsewhere in the U.S. government that further contributed to the sugar shortage. In the November 11, 1974, issue of *Foreign Agriculture,* L. C. Hunt wrote that worldwide "beet sugar production will be down from 1973-74 levels by about 1.4 million tons." Was this that old nemesis, the weather, again? Partly, but 50 per cent of the decrease was due to decisions made by U.S. beet growers in early 1974 not to produce beets for that year. Why should they do that? Because it wasn't until April, when farmers were already planting their crops, that the President's Cost of

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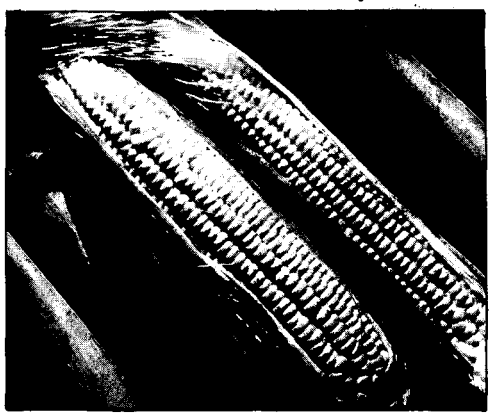
Living Council lifted a ceiling on the price of refined sugar. Beet producers naturally decided to grow alternate crops—cotton, wheat, soybeans—from which they could expect to make more money.

Of course the fast-growing world demand and the low stocks meant that sugar prices would have risen during 1974 even if Earl Butz had acted with divine guidance in setting USDA policy. But with the addition of poor crops and contradictory government policies, we ended up with a world sugar production shortage of 1.5 million tons, and just at the time when we should have been trying to stimulate a build-up of depleted sugar stocks.

The result, seen in the markets and felt in all our wallets, was an escalation of prices in sugar that placed the consumer completely at the mercy of market forces, creating such anger that one Senate assistant was quoted in *Business Week* as calling the demise of the Sugar Act "the rip-off of the century."

A mistake, yes, but a rip-off? Amstar Corporation, the nation's largest sugar refiner, boosted its profits by 300 per cent in 1974. It earned 25 per cent on stockholder's equity, although its profits-on-sales remained at their traditional three per cent. This means, of course, that Amstar raked off a three-cent profit from every dollar spent on Domino sugar. As the price of sugar rose, Amstar's three per cent was a larger absolute figure, and its overall profits rose astronomically. But if every bit of Amstar's profit had been knocked off the purchase price, consumers would have saved only three per cent—hardly enough to justify the argument that greedy entrepreneurs forced the price up.

The story was similar for other refiners. But however large these windfall profits were, it is still difficult to leap to Daniel Zwerdling's paranoid conclusion: ". . . did Great Western Sugar soak consumers to help pull its parent conglomerate out of desperate financial straits? It is conceivable that when consumers took Great Western sugar through the supermarket checkout line, they were paying the price—an outrageous price—to help bolster a sagging real estate venture called California City."



U.S.D.A. Photo

What nonsense. Since Great Western sugar was no more expensive than any other brand, Great Western was hardly—unless it was vastly more efficient than Amstar—capable of generating more than a three-percent profit on the price. The dramatic rise in Great Western's profits on equity was the result of large inventory profits, most of which had to be plowed back into buying higher-priced raw sugar.

The Monopoly Game

Far less hysterical, but still animated by the same fear of unseen corporate manipulation, are the views of James Hightower, director of the Agribusiness Accountability Project, which provides a valuable service in monitoring the actions of the food industry:

"The manufacture and distribution of the hundreds of items you see on the grocery shelf are controlled by a small number of huge food processors and supermarket chains. These firms have the sheer financial might to overwhelm smaller competitors and the market power to hold up prices and profits like a single monopolist. Unless monopoly power in the food industry is broken, we'll never see the price of food come down." If only it were so simple.

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On the face of it, Hightower's assertion seems valid. Of 32,000 food companies, the 50 largest earn 61 per cent of the profit. Four companies share 90 per cent of the market in breakfast cereals; another four control 65 per cent of the bread market; the largest four canners sell 80 per cent of canned fruits and vegetables, and only one company sells 90 per cent of all canned soups.

But when we turn to price increases of specific commodities we find that the greatest increases were in such products as fresh vegetables, dry beans, and oils (which are marketed by numerous companies); in fresh meat (where the largest four meat packers share only 22 per cent of the market); and in sugar—the complex pricing of which we have already described.

This is not to say that oligopolistic companies don't engage in price fixing and gouging for profits. Large price increases have also occurred in processed fruits and vegetables and in cereals. But Hightower's trust-busting, which he envisions as resulting in lower prices through lower profit margins, will unfortunately have very little effect on the consumer—for the same reasons we saw in the Amstar case. The confusion arises because profits are computed in two ways. One method measures a company's earnings in terms of the equity held by shareholders. Major food companies (like most manufacturing firms) regularly earn profits measured between 12 and 22 per cent by this calculation. But those same profits measured in terms not of equity but of sales can produce quite different figures. In the food industry, profits on sales are particularly low, as the companies are happy to publicize. The profits on sales for processors are only three per cent and for supermarket chains one per cent. The profit on sales is of interest to consumers, because it represents the additional cost the company is charging for food in order to earn its profit. But economists, businessmen, and investors find these figures of less interest, for they tell little about whether a company is a profitable investment. Thus food industry companies can earn high profits for their investors even though the company's actual profits on sales are low. Paradoxically, high profits add little to the price of foods sold. In fact, if profits were *completely* eliminated from the food industry, prices would drop an average of only eight per cent. (For some foods, like cereals and soups, the drop might be greater; for others, like meat, it might be less.)

Cry, the Beloved Country Ham

Don't misunderstand. I think many of the things wrong with our foods are directly traceable to the overwhelming growth and mass-marketing orientation of the food companies. I'm not defending this. By now most of us are familiar with the "factory" chicken raised to be practically tasteless because it can be made that way cheaply. And of the decline of specialty products such as country ham that don't lend themselves to mass marketing. The tale is familiar, but still sad.

James Hightower and his associates at the Agribusiness Accountability Project are correct in condemning this trend as one of the primary failings of the food industry. But some confusion arises in trying to view it in the familiar light of monopoly. For example, the factory model of raising chickens has led to lower prices for consumers, but at the expense not only of quality but also of the chicken farmers who have become oppressed hired hands, forced to buy all their supplies at the "company store." This is not, however, primarily a problem of monopoly, for the same cost-cutting pressures would exist if there were four firms or 400. It is, rather, the result of applying to agriculture the same mass-production, assembly-line principles used to produce ball bearings.

Far better known than the history of the sugar price increase, and cer-

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Peter Bartlett

tainly easier to comprehend, is the story of meat prices. The explosion in price was precipitated in the summer of 1972 when the Soviet Union began feeling the effects of a drought and subsequent crop failure and bought one-third of the U.S. wheat harvest. In less than a year grain prices tripled, turning the tables on the meat industry, which over the previous 20 years had become dependent on cheap grain to raise cattle and hogs. In 1955 feedlots were practically unknown; by 1973, 83 per cent of the cattle slaughtered under federal inspection were coming through feedlots. The number of feedlots had increased for a number of reasons. Certainly the demand among consumers for beef was growing, and feedlots were a convenient solution for coping with that; moreover, they helped solve the problem that has plagued American agriculture for years—how to dispose of the huge quantities of grain U.S. farmers are capable of producing. Further, laws which offered tax shelters to outside investors in the cattle business encouraged an overexpansion of the industry.

The Russian grain deal can now be seen as merely the precipating event in this sudden, but long overdue, change in agricultural patterns. The change was so violently wrenching because no one seemed to foresee the adverse consequences that would follow from depleting our grain reserves. In the same way that we are finally reexamining our appetite for gasoline as a result of OPEC's raising the price of oil, the Russian grain sale may help alter some other comfortable beliefs.

We can see that monopoly power played only a small role in precipitating the inflation of meat and sugar prices. Undoubtedly many of the government policies followed did indeed benefit the large corporations, for such industrial giants almost invariably benefit from government actions to "improve the economy." But that's a far different matter than suggesting—as so many critics do—that

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the cause of the inflation can be traced to the greediness of agribusiness.

Look, for example, at statistics compiled and analyzed by the Economic Research Service of the Department of Agriculture. In the years from July 1972 (the Russian grain deal date) to August 1973 (when controls on food prices were lifted), food prices rose 26 per cent, or about two-thirds of the total increase between July 1972 and January 1975. About 95 per cent of this increase was reflected in higher returns for farmers. (Undoubtedly, some of this fell into the hands of agricorporations with extensive land holdings.) The farm share of the retail dollar jumped from 41 per cent to 52 per cent.

After August 1973, prices at the supermarket level continued to rise another 13 per cent above the July 1972 price. Eighty per cent of this was due to what is called "widening farm-retail spreads," in other words, greater returns for the middlemen than for farmers. Hidden in such an increase may be padding and price gouging, for unlike the higher prices for farm commodities, these increases were not necessarily a result of market forces.

True, none of the major food companies—except perhaps A&P—was losing money, for long ago they became part of what John Kenneth Galbraith calls "the planning economy." But neither do their large profit increases fit into the pattern antitrusters might find intriguing. Profits, for example, increased most sharply in the meat-packing business; yet meat packing is one of the least concentrated of all food industries. And when all of the profits for the 50 largest food companies are computed—not just the increases—the room for cutting prices appears rather small: the 1973 before-tax profits of $2.8 billion represents only two per cent of the $145 billion dollars consumers spent on food.

I don't mean to say that there is no role for antitrust in regulating the food industry. The Justice Department and the Federal Trade Commission can perform a valuable watchdog function over oligopolistic markets. But, even ignoring the pathetically skimpy 85-year history of antitrust enforcement, there is little chance that the populist-Naderite dream of restoring a market economy could ever perform the wonders its ardent advocates hope for. And even worse, antitrust could actually defuse genuine reform efforts. We could find ourselves spending 10 years agitating to break up General Mills, only to find after succeeding that nothing had changed.

Free Enterprise?

The troubles reflected in rapidly rising prices, then, are far more complex than many have supposed. Oddly enough, there has arisen a sort of consensus, between the most wildly disparate elements, that the solution to our agricultural difficulties lies in restoring the "free market." To liberals, this means breaking up the agribusiness monopolies and letting the decentralized market right itself. Earl Butz's solution, which is probably nearer to realization, is to leave the agribusiness structure intact but remove any taint of government "interference."

While the shortcomings of the Butz system have been more dramatically demonstrated, neither view fully comprehends the pressures now affecting American agriculture. Forty years ago, Henry Wallace's Agriculture Department understood that pure market forces, left to work themselves out, would drive the small farmer out of business. In the years since then, farm-support policies have lost their sense of emotional rightness, both because so substantial a share of the support payments has gone to large farmers of the James Eastland variety, and because the tight world markets and high grain prices of the last few years have made many American farmers rich, at least temporarily. But

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it is this very change in the world food situation, from a permanent surplus to an apparent permanent shortage, which makes a carefully thought-out, carefully controlled plan of government intervention all the more essential. No one can predict that there will be a drought or crop failure this summer; the harvest may indeed be abundant. But with demand pressing so closely on supply and likely to continue doing so for the foreseeable future, one can say with virtual certainty that the next time there *is* a drought, or late frost, or devastating blight, prices will soar once more. When this next cycle begins, we will see the same catastrophic pattern as before: consumers screaming for relief as food prices rise; international tensions developing as we try to restrict exports; innocent victims destroyed by the cycle, as so many cattlemen have been destroyed here recently.

We can continue to talk about "competition," which is absolutely powerless to cope with these cycles. Or we can decide that fundamental principles of public policy require us to intervene against the cycles. It is of little benefit to the consumer to pay bargain rates for beef today if he will have to pay $3 a pound next year, after the cattlemen have been driven out of business and the newspapers start talking about the "beef shortage" once again. It would be far better to manage the reserves and prices of such critical commodities as feedlot grain, so that both consumer and producer can survive. Large reserves should be built up, not only to prevent shortages that will lead to higher prices for Americans, but to fulfill our responsibility in the face of famine elsewhere in the world.

It is with heavy heart that one recommends government direction of the economy, because of the obvious peril of the bureaucrats taking over, merging all the farmers into giant tracts to make the paperwork flow more easily. But there should be no reason why more thoughtful, far-sighted management of our agricultural supplies could not delegate the actual production to an even greater number of small independent farmers than we have today. Individual farmers, assured of a steady source of demand and free from the fear of the disastrous booms and busts, have already proven themselves very efficient producers of food.

The food economy must be managed. What is needed is some coherent policy that will have to consider many diverse purposes, not only price rises for consumers and producers, but also the needs of exporting food to help our international financial situation. The market need not be destroyed, merely guided in a purposeful direction. We must move to prevent the frequent violent eruptions that have become so common, for, to switch metaphors, without careful planning, our food economy is balanced scarcely more securely than a heap of jackstraws, and as we have recently learned, it doesn't take much to upset the whole thing. ■

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Memo of the Month

DHR policies & procedures

Subject	Management Planning System - Introduction	Number VI-4-A	Date 11-5-74
Supersedes		Transmittal Letter No. 2	Distribution B

A. PURPOSE. To establish a Management Planning System (MPS) designed to provide a comprehensive, dynamic, systematic approach to management at all levels throughout the Department of Human Resources. This system is designed to replace management by crisis and other erratic approaches to management with an orderly, logical, and meaningful system.

B. SCOPE. This system is applicable to all organizational units throughout DHR.

C. GENERAL. The MPS comprises five discrete processes which may be summarized under the following references:

DHR Mission and Goals (MG)
DHR Multi-Year Plan (MYP)
Zero Base Budgeting (ZBB)
Management By Objectives (MBO)
DHR Action Plan (DAP)

Each process, although discrete, is interrelated and reinforces the others comprising the macrosystem.

1. MPS Conceptual Relationships

a. The Mission and Goals statement and the Multi-Year Plan developed and issued yearly by the Office of Planning and State Agency Affairs are the base foundation for the Management Planning System.

b. The Mission and Goals statement speaks to the general direction DHR will take for the current fiscal year. The statement is based on legislative requirements, mandates from the Mayor, City Council regulations, and the Director's guidance.

c. The Multi-Year Plan is a five year strategy plan which sets forth the program approaches by which DHR is to obtain its stated Goals and Objectives.

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d. Viewed as an umbrella structure, the Mission and Goals and Multi-Year Plan are the key processes which feed the base information into the other processes.

e. Immediately below the Mission and Goals and Multi-Year Plan, and reciprocal within the Management Planning System, are Zero Base Budgeting, Management By Objectives, and the DHR Action Plan. These processes are the specific tools that managers use in carrying out their programs and activities.

Exhibit 1, following this section, graphically depicts the conceptual relationships of the MPS.

2. MPS Functional Relationships

a. Functionally, the five processes comprising the MPS are parallel in operation and are run simultaneously during the planning year. The planning year may be said to be sixteen months in duration, from March of the current fiscal year until June of the next fiscal year.

b. In the MPS, two phases occur: the planning phase, and the implementation phase. The planning phase for the next fiscal year starts during the latter part of the current year implementation phase. The implementation phase for the current year overlaps into the planning phase of the next fiscal year.

Exhibit 2, following this section illustrates the MPS schedule for both the planning and implementation phases.

3. Summary. As previously stated, the MPS is designed to provide all levels of management with a uniform and systematic approach to the job of managing. The five processes, as outlined in the following sections, interface with each other in terms of providing input and/or output during the planning and implementation phases. The processes must be viewed in terms of a complete package to gain the benefits of the Management Planning System.

For identification purposes throughout DHR, all individuals reporting to the Director (Administrators and Office Heads) will be referred to as Chief, Major Component. Likewise all Administrations and Offices will be regarded as Major Components.

The F. Y. 75 Budget Formulation and Presentation procedures have been added as a Topic under the Zero Base Budgeting Section. This procedure will be incorporated into the Zero Base Budgeting procedures for FY 76.

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Exhibit VI-4-A--1

MPS CONCEPTUAL SCHEME

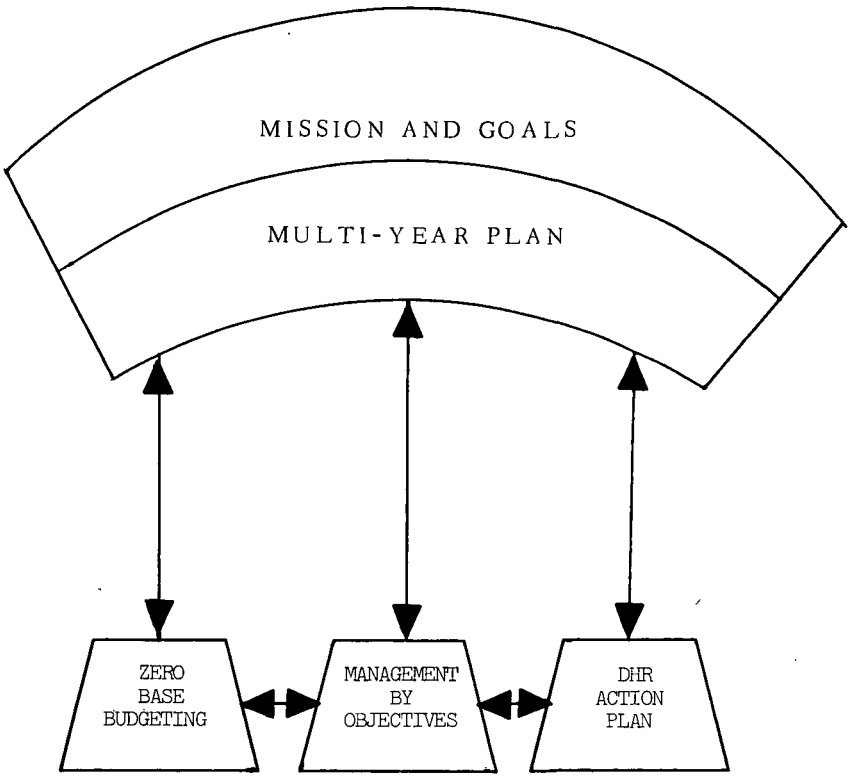

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EXHIBIT VI-4-A--2

MANAGEMENT PLANNING SYSTEM SCHEDULE

PLANNING YEAR	MISSION AND GOALS	MULTI-YEAR PLAN	ZERO BASE BUDGETING	MANAGEMENT BY OBJECTIVES	DHR ACTION PLAN
MARCH	DEVELOP MISSION AND GOALS	MANAGERS EVALUATE BASE YEAR	IMPLEMENTATION	IMPLEMENTATION	IMPLEMENTATION FY 75 ONLY
APRIL	DRAFT COPY FOR COMMENTS	IMPLEMENTATION	PRE-PLANNING FOR ZBB DIRECTOR'S POLICY MEMO	PRE-PLANNING F FOR OBJECTIVE SETTING	
MAY					IDENTIFY FY75 DAP ITEMS
JUNE	ISSUE FINAL STATEMENTS				
JULY	IMPLEMENTATION		MAJOR COMPONENTS BUDGET REQUESTS EXECUTIVE SESSIONS	MAJOR COMPONENTS OBJECTIVE SETTING	DEVELOP WORK PLANS
AUGUST					DIRECTOR'S APPROVAL & ISSUANCE
SEPTEMBER					
OCTOBER		BASE YEAR UPDATED -- ADDITIONAL YEAR DEVELOPED	REVIEW AND REVISION BY MAYOR, CITY COUNCIL, U.S. CONGRESS	OBJECTIVE SETTING ALL OTHER LEVELS	IMPLEMENTATION FY 1975 ONLY
NOVEMBER					
DECEMBER					
JANUARY		ISSUE NEW MYP DOCUMENT			
FEBRUARY		IMPLEMENTATION			
MARCH					
APRIL					
MAY					
JUNE					

PLANNING PHASE
IMPLEMENTATION PHASE

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What Politicians Really Want

by Walter Shapiro

It started with a disappearance. Marvin Mandel, Spiro Agnew's successor as governor of Maryland, left Annapolis on Thursday, January 8, without announcing his destination. Within a few days, *The Washington Post* discovered that Mandel and his wife had gone on a Jamaican vacation aboard a corporate jet provided by Steuart Petroleum—an oil company which just happens to be trying to build a controversial refinery on the Eastern Shore of the Chesapeake Bay. The efforts by the governor's office to cover up the story were breath-taking in their ineptness. First they claimed that the Governor had won the vacation in a raffle, and then they changed the story to read that Mandel and several others, including a Steuart vice president, had put up $1,200 at a charity auction and won the use of a cottage in Jamaica.

This was just the beginning of a series of disclosures which prompted the Baltimore *Sun* to publish an editorial cartoon with the caption, "I'm Marvin, Fly Me." By early February it had been confirmed that since he became governor Mandel had accepted at least ten other trips on corporate jets. Some of the flights were unabashed luxury vacations such as a one-day trip to Wyoming in 1973 for an antelope-hunting contest held primarily for celebrities and business executives. Throughout the entire furor, Mandel stoutly maintained that "I haven't done anything wrong," although he did acknowledge that the trip to Jamaica might have been "a public relations mistake."

Compared to the conduct of his predecessor, Spiro Agnew, Mandel's behavior seems tame. As one Maryland politician put it, "If this becomes a major scandal, it will be like a champion swimmer drowning in the bathtub." Mandel's free plane flights are important, however, because they are typical of the ways lobbyists influence the majority of government officials—those who are neither explicitly corrupt, nor inflexibly wedded to the public interest.

Not consumed by anything resembling ideological passion, Mandel is emblematic of many in public life in that he seems more interested in the pleasures of being governor than in accomplishing anything specific in office. It is not surprising that several of his free flights were to the National

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Governors' Conference. Held at beautiful resorts like Lake Tahoe, these conferences accomplish little substantive business, but they do provide the governors with the elevated lifestyle which many believe is their automatic due. This attitude is not reserved to governors. Despite press criticism, congressmen continue to take junkets to Europe and Asia for much the same reason. Since there is a limit to how many trips and full-dress dinners can be charged to the public, a passion for living on this level leads public officials such as Mandel straight into the hands of the lobbyists.

Despite the intensity of our current national crusade against corruption, the number of public officials who are actively for sale is relatively small—and, one suspects, they tend to be expensive. But the shrewder lobbyists know that the friendship of even uncorruptible officeholders can be won with such blandishments as luxury vacations, elaborate dinners, introductions to celebrities, and the other perquisites of the American upper class.

Status in this country is based primarily on two factors—prominence and wealth. A governor like Mandel may be better known than almost all corporate executives, but he is forced to live on the maddeningly middle-class salary of $25,000. A senator may regularly appear before 50 million Americans on the evening news, but he must make ends meet on a salary of $42,500. For an elected official without personal wealth, this discrepancy between prominence and salary often rankles.

Some politicians overcome this problem by becoming so oblivious to reality that they actually live as if they were supported by accumulated capital rather than by their government salary. An extreme example is former New York Congressman Seymour Halpern. *The Wall Street Journal* revealed in 1969 that Halpern, who was then third-ranking Republican on the House Banking Committee, had more than $100,000 in bank loans that were either seriously overdue or totally unsecured by collateral. Halpern's indebtedness—which eventually helped hasten his retirement—stemmed from his insistence on living in a manner that may have fitted his prominence, but certainly not his income. As Jerry Landauer put it in the *Journal*, Halpern is a "man of extravagant habits—reaching impetuously for dinner checks at fine restaurants, sending his attractive wife to costly vacation spas, collecting valuable manuscripts. . . ." Not only was Halpern overdrawn at the bank, but he owed sizable sums to expensive French restaurants and hotels such as the Plaza in New York and the Fountainbleu in Miami Beach.

The Status Seekers

The phrase "living beyond one's means" has a dated ring, yet this expression often fits congressmen as closely as it fits the proverbial Westport advertising executive mortgaged to his eyebrows. Sometimes legislators find themselves in serious trouble, as did recently retired Illinois Congressman Ken Gray, who, according to *The Washington Star*, used left-over campaign funds to help buy his $40,000 houseboat, Rollcall. Gray justified the complicated transactions which paid for the craft by arguing that it helped him entertain visitors from back home: "I thought the best way to entertain constituents was to let them see the beautiful Capitol from the Potomac."

Even the more dedicated members of Congress feel a conflict between their lifestyles and their income. In a forthcoming book, *Inside the House*, Daniel Rapoport provides this glimpse of a prominent House liberal: "Ben and Leila Rosenthal do not live opulently. But they do live nicely. They enjoy the familiar comforts of an expensive country club and two vacations a year. . . . The Rosenthals readily concede that they live well. But in 1973 they said they were

Diana H. Walker

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approaching the point where they would be living beyond their means." Similarly, many senators are feeling the financial pinch caused by a recent $15,000-a-year limit on the amount of speaking fees they can collect to supplement their salaries. Kandy Stroud recently reported in *New York* that a number of Senate wives are being forced to go to work to help make ends meet. The wives of both Mark Hatfield and John Tower, for example, are selling real estate.

Obviously, some of these salary problems are caused by expenses unique to Congress, such as maintaining two homes and frequent travel back to the home district. But many more stem from the exigencies of maintaining a suitably elevated lifestyle. Antoinette Hatfield, for example, explained that her clothing costs tended to be high because "Senate wives are expected to look better than the average person."

Recently, Alaska Senator Mike Gravel was described by columnist Jack Anderson as "living beyond his means" to support a "$200,000 dream house. . . in the fashionable Maryland countryside." In response to questioning about the column, Gravel, who was originally a real estate promoter in Alaska, justified his home ("it's actually worth $250,000") both in terms of his work ("in my business entertaining is *de rigueur*") and its investment possibilities. According to Gravel, this last idea came from none other than Lyndon Johnson, who, on the verge of leaving office, took some freshmen senators aside and gave them this secret of success in Washington—"invest in local real estate."

More than any other recent figure in public life, Richard Nixon illustrates the degree to which elected officials can come to believe that their prominence should permit them to live on a par with millionaires. Ever since Nixon journeyed to Wall Street after losing the 1962 California gubernatorial race, he has been devoured by his passion to accumulate enough capital to guarantee an upper-class lifestyle. It is this passion which explains his curious real estate transactions with Bebe Rebozo and Robert Abplanalp. Early this March, Jack Anderson reported that the former President "is deeply depressed over his finances." With a $60,000 pension, Nixon is in no real financial danger. But Anderson pinpoints the source of Nixon's anxiety: "He lacks the income to sustain his lifestyle. He is desperately looking for ways to increase his cash flow."

'I'm Calling from My Car'

I am not making a case for asceticism. Obviously, public officials should not be required to live like Ralph Nader. Neither should we overly praise Jerry Brown for deciding to live in a scantily furnished one-bedroom apartment instead of the California governor's mansion. But the financial problems of many in government explain why so often they become entranced with the trappings of office, with chauffeured limousines and elaborately equipped offices. George Reedy has written about the seductions of life in the White House. On a less exalted level, the chairman of the Equal Employment Opportunity Commission is known, when driving around Washington, to call his staffers merely for the pleasure of saying: "I'm calling you from the phone in my car." For some, these luxuries can serve as tangible reminders that they have arrived, that they actually are high government officials.

For those (and there are many) who have gone into public service in quest of a certain lifestyle, there is a limit to how much satisfaction can be derived from having a refrigerator and a shower in your office. This explains why the most astute lobbyists can often win the friendship of congressmen and governors through little favors. For Marvin Mandel, the favor was a vacation in Jamaica. For someone else, it might be a chance to meet movie stars or to be accepted in the

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homes of aristocratic families. There are undoubtedly senators in Washington who are more likely to be swayed by a $30 lunch at an exclusive club which they don't belong to than by a $300 campaign contribution.

The shrewd lobbyist need not spend vast sums of money to provide a public official with what he wants. All he need do is follow the maxim that the perfect gift is something the recipient wants but would never buy for himself. (In contrast, even if a senator with a middle-class income took a bribe, he probably would feel obligated to do something sensible with it, like putting it aside for his children's college education.)

Last December, Tongsun Park, a somewhat mysterious Korean with a host of interests ranging from oil supertankers to the international rice trade, gave a birthday party for House Majority Leader "Tip" O'Neill. It was neither the kind of party that O'Neill, said to be a man of relatively modest habits, would have given for himself, nor just a mechanical tribute like a testimonial dinner. No, this party was elegant rather than political. The 100 invited guests were served wild goose at Washington's prestigious and genteelly subdued Madison Hotel.

If Park had been asked his motive for giving the party, he probably would have smiled and answered "friendship." Henry Mitchell of *The Washington Post* wrote that Park "was once a Georgetown student and roomed in those days with Rep. John Brademas and was interested in student politics and got to be friends of many congressmen. As the years passed, some of these friendships ripened and hence his fondness for O'Neill. . . ." If Mitchell was serious, this is an unbelievably saccharine view of the cosmos. Yet, one should not take too cynical a view and automatically assume that this party was given in return for a favor from O'Neill; for lobbyists like Park are often more subtle than that. Take, for example, the exquisite indirection of Park's going-away party for outgoing Attorney General William Saxbe. In the cutthroat world of Washington society, there are few gestures so seemingly selfless as giving a party for someone about to leave office. But parties like this cement ties of friendship with those in public life. There is no need for explicit *quid pro quos*. What Park has done is increase the likelihood that leading public officials will deal with him on a personal rather than a bureaucratic level the next time he wants something from the United States government.

Such subtle courting by lobbyists is one of the major problems of American political life. It would not disappear with tougher restrictions on campaign spending or with raising congressional and gubernatorial salaries to $60,000 or $80,000 a year. For as long as there are men who dream, not of the work they will do in office but of the life they will lead, there are going to be lobbyists who know how to get what they want by exploiting those dreams. ■

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Al Ullman: How Like A Mills

by Finlay Lewis

Free at last of Wilbur Mills' manipulative hand, the Ways and Means Committee is generally assumed to be moving into an era of open, even "democratic" decision-making. Republican committee members like Barber Conable say it's so. Ralph Nader's people say it's so. The lobbyists say it's so. And, not surprisingly, Rep. Al Ullman of Oregon, Mills' successor as chairman of the committee, says it's so. "This is the new Ways and Means Committee," Ullman announced at a recent breakfast meeting with reporters. "We've never operated on this kind of a basis before—with the action spread up and down through the ranks of the committee. In the old days, not many members were willing to work hard because they weren't part of the action." On another occasion, Ullman told Paul Duke of the National Public Affairs Center for Television that Wilbur Mills "came out of a school of philosophy that I don't belong to."

There is, of course, one main beneficiary of this upsurge of good feelings, and that is Al Ullman himself. Already the image is starting to develop: Al Ullman, the centrist who will listen to all sides of an issue; Al Ullman, the honest and upright mediator, affably agreeing to disagree with the Democratic firebrands on the committee; Al Ullman, the chairman who institutionalizes his belief in openness and procedural fair play. As "TRB" put it in his *New Republic* column on March 8, Ullman is "self-confident, middle of the road, level-voiced. . . . Ullman has plain, strong features, a shock of hair, looks like a young Borah (if anybody here remembers Borah) and is representative of the new congressional leadership emerging in the post-Watergate, mid-recession drama."

On this wave of good feeling, Ullman now enjoys a honeymoon of uncertain duration. "Look, I'm not inclined to be hard on the guy right now," said a lobbyist for a public interest group. "I'm going to give him the benefit of the doubt because I've got to be able to work with him on a lot of things and his energy package isn't all that bad." A new Republican member of the committee, Bill Frenzel of Minnesota, said that joining Ways and Means was like "walking into the sunlight. Ullman treats all the people he deals with as reasonable human beings, whether they deserve it or not."

That is an engaging image. And there are growing indications that it is hardening like concrete. Al Ullman,

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the "responsible, fair centrist," may soon become as familiar a Capitol Hill cliche as the pre-1975 Wilbur Mills, the living legend who knew the tax code by heart. During the years when his colleagues and the press were singing Wilbur Mills' praises, few bothered to mention his congenial relationship with a variety of special interests. It would have been useful to know ten years ago where Mills got his money, who had access to his office, for which causes he was willing to give his all. That is the purpose of looking closely at Ullman, today, before his image also hardens into the Capitol mythology. The gratitude and relief many feel for Ullman's non-authoritarian ways should not distract our attention from his interests and allegiances.

For 14 of his 18 years in the House, Ullman toiled in Mills' substantial shadow. He did not occupy a prominent place in the public limelight during this apprenticeship, but he was still an object of attention for many lobbyists. To most of these, Ullman proved accessible, and in at least one case he allowed a lobbyist to perform a significant personal favor for him.

That incident took place late in 1970, when Ullman was in the middle of divorce proceedings. Rather than turning to one of Washington's numerous divorce lawyers, he chose as his attorney one James W. Riddell, a Washington lawyer-lobbyist, who was to become one of the major backers of Wilbur Mills' 1972 presidential campaign. Riddell represents clients ranging from the First National Bank of New York to the Volume Footwear Retailers of America. Normally he restricts his practice to administrative law; quite often his cases involve legislation passed by the Ways and Means Committee, for whom he was tax counsel between 1955 and 1958.

It is unclear how much Riddell charged Ullman for his services—whether he performed it at standard rates, offered a discount, or even did the work *pro bono*. If he did charge Ullman less than the standard fee, an obvious sort of favor would have been performed. And, by keeping the proceedings out of the headlines, Riddell may have done Ullman a political favor. But the most significant point is that, in turning to Riddell on a matter in which the most intimate private details must be exchanged, Ullman created a relationship of some delicacy with a man whom he knew would later appear before his committee as a lobbyist. Without demonstrating any explicit *quid pro quo*, one can

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say that Ullman demonstrated insensitivity to appearances.

The same is true of Ullman's campaign finances. It has been so long since a serious challenger has presented himself that Ullman has all but forgotten what one would look like. After his "campaign" in 1972 (he was unopposed in both the primary and the general election), Ullman had $49,000 in campaign funds left over. These he set aside for 1974. Although in this election, too, he faced no serious opposition, Ullman's volunteer committee went ahead and raised an additional $28,884. Much of this money came from a phalanx of interest groups, all with an economic stake in the deliberations of the Ways and Means Committee. After the 1974 campaign, Ullman's committee had a surplus of about $19,000—but even then nobody bothered to turn off the spigot. On three occasions after the November 5 election, the morning mail turned up $1,000 checks—the maximum Ullman would accept—and by the year's end the committee had collected $5,285 in post-election contributions.

Two of the late $1,000 gifts were from political action committees representing bankers and life insurance underwriters. The third big giver was H. Ross Perot, the Texas whiz kid whose computer firm has thrived on the data-processing needs created by Medicare and Medicaid. Perot has Ways and Means to thank for spawning those programs, but his real fortune may yet lie ahead, when Congress finally passes a national health insurance program. Health insurance bills must pass through the Ways and Means Committee, and Al Ullman will likely play a major role in determining what sort of bill is enacted.

Medical groups also have a direct economic interest in the health insurance issue, and during the 1974 campaign they, too, supported Ullman. Fed Pac, the political action arm of the American Hospital Association, contributed $1,000; the health insurance bill Ullman sponsored in the last Congress embodies Fed Pac's proposals. He has reintroduced the hospitals' plan this year, having won for it the symbolically important designation of H. R. 1.

Joining Fed Pac as $1,000 Ullman contributors were the Oregon Medical Political Action Committee and similar groups representing the optometrists and oral surgeons. The American Dental Political Action Committee gave $850, the International Chiropractors' Political Education Committee, $500, and the Opticians' Committee for Political Education, $500. Ullman also received $1,000 checks from the Laborers' Political League and the Securities Industry Campaign Committee.

Meanwhile, the Real Estate Political Action Committee gave $1,000 to Ullman, who is himself a former real estate dealer, on September 30 and followed up with an additional $500 a month later. This apparently exceeded Ullman's $1,000 ceiling, and, according to an aide, Ullman ordered the $500 returned after the two transactions were reported in the Minneapolis *Tribune*.

When Ullman was asked about his campaign finances, he said that he couldn't see the "point" behind the inquiry. All the contributions were legal, Ullman said, adding that the campaign surplus would be used to finance newsletters to his constituents, as permitted under the law.

Although Ullman didn't see the "point" of the campaign contributions, it is clear that lobbyists with a professional concern about the legislation coming out of the Ways and Means Committee did. They had spotted Ullman as the committee's crown prince long before Wilbur Mills hit the skids. "You could see it coming several years ago, shortly after Wilbur took it into his head to run for President," said lobbyist J. Lawrence Fox, whose law firm, Pepper, Hamilton & Scheetz, represents various business clients before the committee, including Sun Oil and the Pew Foundation.

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"Back in 1969 or so," Fox continued, "Ullman would have one of these standard $100-a-ticket fundraisers, and substantially less than 50 people, counting his staff, would show up. And that would even be with Carl Albert or Hale Boggs or some other prominent congressman putting his name on the invitation as a co-host to lure you there.

"But by 1973 the handwriting was on the wall and Ullman by himself could draw several hundred of us to those functions where they give you cold hot dogs and watered-down drinks and take your money. I mean, in the last couple of years Ullman's fundraisers have been wall-to-wall lobbyists."

Part of Ullman's appeal to committee lobbyists is ideological. Just because Ullman is a Northern Democrat many outsiders fail to recognize the conservative, pro-business strain in his thinking. When the Nixon Administration even converted Wilbur Mills into a supporter of the Family Assistance Plan, Ullman and just two other Democrats held out against it. Instead, Ullman offered an alternative bill with very punitive work requirements for almost all welfare mothers. Similarly, on national health insurance Ullman takes the same position as the American Hospital Association. Their conservative plan would, for example, fold Medicare into the private sector. When it comes to taxes, Ullman is sympathetic to providing new tax loopholes (investment incentives, if you prefer) to stimulate business spending during the current recession.

There is one loophole in the tax code, however, that Ullman protects for reasons other than mere ideology. That is a provision which confers an enormous benefit on timber producers: When a stand of trees is cut down and sold, the proceeds are taxed not as regular income but as "capital gains" on the increase in value of the trees between planting and logging. It has been estimated that this one clause alone earns large timber operators about $200 million a year. The superficial logic of the provision falls apart when one recalls that wheat farmers, for example, are not allowed to count the difference in value between their seed and their harvest as "capital gains."

Periodically reformers attempt to close the loophole, and untiringly Ullman resists them. Since Ullman's district contains 73 per cent of the land area of Oregon (and only 25 per cent of its people) and since logging is one of its major industries, his efforts are obvious illustrations of what a congressman feels he must do to protect his constituents' interests. What is less obvious are the trade-offs Ullman has made—and will continue to make—to defend the timber interests. Ullman denies that he has ever made a deal to safeguard the loophole. It is impossible to prove the case one way or another, but such an assertion defies every intuition about the way legislators work. To cite only one provocative example, when the Tax Reform Act of 1969 was under consideration, Ullman sponsored an

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amendment to retain the 15-percent depletion allowance for producers of copper, iron, gold, silver, and oil shale. These interests are not major factors in Ullman's district, but their supporters may some day return the favor by voting for the timber loophole. It should be mentioned, however, that Ullman has recommended reducing the depletion allowance for oil, and has occasionally voted against the timber interests. Nonetheless, his allegiance to the lumber industry is worth remembering when evaluating the current publicity portraying Ullman as an economic statesman.

Premiere Attraction

The emphasis on Ullman's style of operation obscures one essential element of continuity between the two chairmen—their willingness to accept the hospitality of those who potentially have business before the Ways and Means Committee. Take, for example, Ullman's trip to New York City in early December to attend a private screening of *The Godfather: Part II* at the home of Charles Bluhdorn, chairman of Gulf & Western Industries (which owns Paramount Pictures, producers of the film).

The tone of the evening was suggested by this letter sent by Jack Valenti, president of the Motion Picture Association of America, to certain key members of Congress, including several on the Ways and Means and Senate Finance Committees: "Charles Bluhdorn and I are eager for you and your wife to join us and a few others for what I think will be a spectacular evening. Charlie will 'premiere' the remarkable new film, *Godfather II*, at his home in New York City on Saturday evening, December 7. The evening will begin at 6:30 with cocktails, then the movie and dinner to follow. . . . If you are in Washington that day, a GulfStream II will pick you up and return you. . . . "

In an interview, Valenti said that he couldn't recall whether he sent Ullman the letter or gave him a similar message by phone. Valenti said that the corporate jet just happened to be available because former Senator George Smathers (one of the more notorious lobbyists in Washington and now a Gulf & Western board member) decided to go to New York on business. In any case, Ullman and several other legislators saw nothing improper or even surprising in the convenient availability of the corporate plane.

It was an evening with a kind of allure that is difficult to find on Capitol Hill. The film's director, Francis Ford Coppola, and the producer, Robert Evans, were on display for the dignitaries from Washington. One legislator who was present described it this way: "There we were in Bluhdorn's apartment, eating off a place setting that must have cost $15,000. There was cognac and expensive cigars. But the highlight of the evening was when, with a flick of a switch, Bluhdorn's living room was transformed into a screening room and we were watching the hottest film of the year before the ink was even dry on the print."

Asked afterwards about the evening, Ullman said that he was satisfied that the invitation had nothing to do with Ways and Means business. Which may be true. It may be that Ullman was invited simply because Bluhdorn respected his opinions as a film critic or, perhaps more plausibly, because he enjoyed his company. The point is not that Ullman has necessarily returned the favor to Bluhdorn and Gulf & Western, or that he will do so in the future. Rather, its significance lies in the climate of *ex parte* contacts it illustrates, a climate which Ullman has brought with him to the chairmanship.

In the case of Ullman's predecessor, the years of close contact with lobbyists like James Riddell had a profound cumulative effect on the work of the Ways and Means committee. All the evidence that is available to date suggests that Ullman is following, all too closely, in Mills' footsteps. And that is saying a lot. ■

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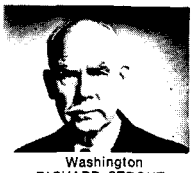
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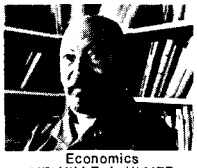
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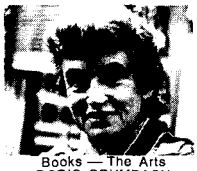
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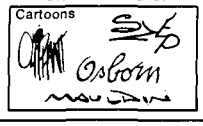

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Tidbits and

What Do Women Want?

The one clear case conservatives have against radical reformers may be abuse of the English language. Witness this paragraph of a recent letter from the president of the National Organization of Women to the director of the Center for Women in Medicine at the Medical Center of Pennsylvania:

> What we are about is moving, in medicine and elsewhere, from androcentric values and behaviors to androgynous or better yet (for consciousness-raising) gynandrous health care and societal values. In the process, the health occupations/professions must be desexigrated including certainly more women in medicine which alone will impact medicine in radically healthy ways.

The Truth about Javits

Years ago there was a gay comedian who upon the discovery of the slightest evidence that some celebrity was gay would joyfully exclaim, "I knew it! I knew it!" A similar excitement must have been experienced by conservative New Yorkers when they read the news story which *The New York Times* corrected with the following:

CORRECTION

Due to an editing error, an article in The New York Times yesterday incorrectly identified Senator Jacob K. Javits of New York as a Democrat. Mr. Javits is a Republican-Liberal.

He Forgot to Raise His Hand

In July 1973, Harold L. Hering, a major in the Air Force attending a missile training school, asked what safeguards existed to make sure that no American missile would be launched on counterfeit order. The Air Force refused to answer Hering's question, telling him he had no need to know, and accused him of failing to "meet duty performance standards required of an officer," and an Air Force board of inquiry recommended discharge. His case awaits final disposition, but it seems likely that the Air Force will repeat the triumph it scored in the case of A. E. Fitzgerald.

Who Lost Chile?

It sometimes seems that the Left loves nothing more than to follow the worst examples of the Right. Recently liberals have opposed the nomination of Nathaniel Davis as Assistant Secretary of State for African Affairs on the ground that Davis was Ambassador to Chile during the time the CIA was plotting against Allende, without offering any evidence that Davis was involved in any way in the plotting. Twenty years ago when the Right was drumming O. Edmund Clubb out of the Foreign Service because he had served in China while China was being lost to the Communists, without any proof he participated in the plot to give China to the Reds, Nathaniel Davis was the Foreign Service Officer who stood up and fought for Clubb.

The Peter Zenger Award

Since the demise of Henry R. Luce, the Time empire has seemed relatively immune from arbitrary sell-outs to the establishment. Recently, however, the Fortune Book Club seemed to confirm that good old Henry's ghost was still there, ever-ready to answer appeals from his friends among the elite. It seems the Fortune Book Club had chosen *Du Pont: Behind the Nylon Curtain* as one of its future selections, but canceled the order after receiving a complaint from a Du Pont executive.

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Outrages

Medical Care

For those who missed that masterpiece of black comedy, Paddy Chayevsky's *Hospital* with George C. Scott, here is another version from Michael Kiernan of the *Washington Star*:

Stanford Hardy, a District policeman, drove himself to George Washington University Hospital 10 days ago to undergo an operation on his knee. Today, Hardy will be buried with honors normally reserved for officers killed in the line of duty.

What transpired between Hardy's entering the hospital last week and his burial today "is one of the most tragic and confusing series of events I've ever heard a police family go through," Police Chief Maurice Cullinane said yesterday.

For Hardy's wife, Ellen, and his four young children, the nightmare began a week ago Thursday when a doctor informed Mrs. Hardy that while her husband was on the operating table his heart had stopped beating, but had started up again. Hardy, 31, of 2744 75th Ave., Landover, had walked into the hospital a day earlier for an operation on his knee, which had been troubling him since August 1973 when he injured himself in a minor scooter accident.

After the operation, during which Hardy was under general anesthesia, "the doctor called and told me that my husband's heart had stopped beating, but that it had started up again and the doctor said they were optimistic that he would be all right," Mrs. Hardy said yesterday. The next day, Friday, Mrs. Hardy visited her husband and found him "all taped up to a respirator. . . . It was the only thing keeping him alive. He appeared dead to me." That day and Saturday, he was registering "brain activity," according to a hospital spokeswoman.

On Sunday, shortly past noon, Hardy was officially pronounced dead.

That afternoon, Mrs. Hardy said, she "signed a piece of paper allowing them to remove my husband's kidney . . . I never knew they were going to remove his eyes," she said. The hospital spokeswoman said yesterday that Mrs. Hardy had signed a release form authorizing the use of the corneas of Hardy's eyes as well as his kidneys. "Perhaps Mrs. Hardy did not understand what a corneal transplant entails," the spokeswoman said. (Hardy's kidneys have been transplanted, the hospital spokeswoman said, and the corneas have been given to an eye bank.)

On Monday, Mrs. Hardy said, she "waited and waited and waited" for word about when her husband's body would be ready for removal from the hospital. Late Monday afternoon, Mrs. Hardy said, she called the hospital. "A doctor's assistant was very apologetic to me and said the body had been transferred to the city morgue for an autopsy." So Mrs. Hardy called the police, who checked with the D. C. Medical Examiner's Office which reported that it did not have the body.

At that point, Mrs. Hardy said, she called several friends and proceeded to George Washington University Hospital to find out where her husband's body was. "Late that night we were told that the body was still at the hospital and that it would be transferred to the coroner's office the next day," Mrs. Hardy said.

On Tuesday, while the autopsy was being performed, Mrs. Hardy decided she wanted her husband buried in his police uniform. But police officials told her that this was against a policy allowing only an officer killed in the line of duty to be buried in full dress uniform. "It's a way of giving special tribute to a man or woman killed while on duty," Cullinane said. The police chief said he decided yesterday morning, however, to make a special exception in Hardy's case "because the Hardy family has gone through so much anxiety the past few days." Cullinane's decision came shortly before a local activist, Goldie Johnson, held a press conference attacking Cullinane for "this insensitive policy."

Meanwhile, the District's chief medical examiner, Dr. James Luke, said yesterday his autopsy of Hardy found nothing to explain why Hardy's heart stopped. "The heart was found to be completely normal," Luke said. Luke attributed the cause of death to "cardiac arrest" (stoppage of the heart) which took place during surgery.

The hospital spokeswoman said the hospital staff would "extensively review" circumstances surrounding the death. "It's regrettable that things did not go more smoothly for Mrs. Hardy who apparently went through considerable anxiety since her husband entered the hospital," the spokeswoman said.

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Better Than Deep Throat

by Arthur Levine

There are more than 350 "Action Line" columns in newspapers across the country, holding themselves out to millions of readers as champions of the little guy. Consisting of five or six brief items a day, they purport to help consumers solve their problems with businesses and government agencies. They also cut red tape and give consumer tips; they have therefore become among the most widely read features in newspapers.

The rapid growth of Action Lines from the mere handful that existed at the beginning of the 1960s is potentially the most exciting new development in journalism. Action Lines represent a tremendous opportunity for the press to fulfill its role as the fourth branch of government—an opportunity that is now being wasted.

At first glance, the columns seem to be daily miracles for the lucky few whose plight is deemed newsworthy. Thousands of dollars' worth of long-delayed Social Security checks are suddenly freed, families reunited, cars fixed, and, occasionally, eyesight restored to the blind. In some cities, the columns go out of their way to shower supplicants with unexpected gifts. At the Detroit *Free Press*, a request to arrange a backstage visit with Debbie Reynolds is magically transformed into a catered theater party, complete with complimentary flowers. Each day readers of the more flamboyant Action Lines are encouraged to believe that their deepest longings (within the bounds of good taste) are theirs for the asking. The columns radiate a certain omniscient authority, announcing grandly, "You have received your $250 refund" or "A replacement shipment has been put in the mail for you."

But in fact Action Lines rarely approach their potential, instead remaining content to solve isolated problems and answer frivolous questions. They are hampered by a reluctance to name names or to pursue undramatic complaints, the staffers often acting like clerks rather than newsmen.

The approach of a few papers resembles that of the old TV show, "Queen for a Day," where distraught housewives lined up before the audience to proclaim their troubles, and the person with the most pathetic story was chosen the winner. So, too, Action Line editors, swamped with entreaties (on the larger papers they come in at a rate of over 2,000 per week), have to set their priorities, keeping an eye out for the truly heartbreaking problem. If a person's com-

Arthur Levine is an editor of The Washington Monthly.

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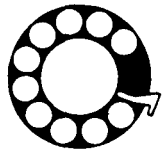

ACTION LINE

Dial CO 3-7000

I ordered a subscription to a sports magazine published in New York City last August. My $16 check for a 26-week subscription was immediately cashed, but the publication has never been sent. Subsequent letters have produced no magazine and no explanation. Can you help me? — T.P.H.

The magazine's subscription editor should have contacted you by now to straighten out the situation. While acknowledging that the company's dependence on computer billing and correspondence frequently causes letters to go unanswered, the editor said his weekly magazine has never offered the subscription rates you cited. Let us know if you remain unsatisfied.

plaint is too similar to one that's already appeared, he's out of luck.

A good sense of Action Line limitations comes from a look at the columns in the Baltimore-Washington area—*The Washington Star*, the Baltimore *News-American*, and the Baltimore *Evening Sun*. At these afternoon papers, the almighty Action Line consists basically of an editor plus clerical help who work from recorded telephone calls and letters. In addition, the *Star* has three staff reporters at work on the column. The papers all share a certain infuriating passivity, ranging from their refusal to print offenders' names to an unseemly eagerness to accept official promises or excuses.

The two Baltimore papers merely forward their readers' complaints to the agency or business in question and ask the accused to respond. They usually get some kind of response—the *Evening Sun* claims a 70 per cent "effective response rate." But that successful figure apparently includes cases where the target of the complaint simply says he can't do anything. The *Star* won't even make that great an effort, although it occasionally sends batches of complaints to agencies and department stores, casually followed up by a phone call. "We get a good response rate," insists editor Dan Poole. "We get a complaint put at the top of the pile, although it probably would have been taken care of anyway."

Perhaps the clearest indication that these papers never intend to act on the vast majority of complaints is their use of tape-recording systems to handle complaints over the telephone. This device, which nearly one third of the Action Line papers now use, is an utter fraud, since it generates such a volume of complaints that all attempts to select the most serious cases are overwhelmed. Moreover, as Kenan Heise of the *Chicago Tribune* says, "The phone calls are usually inaccurate and provide insufficient information." The true cynicism of the arrangement is shown by the Chicago *Daily News*, which several years back decided to erase the recordings of phone calls it didn't consider interesting. For all the good the taped complaints do, the other papers might as well follow the *Daily News*' example.

At the *Evening Sun* in Baltimore, there's a sense of dreary routine in the office of Direct Line editor David Woods. A former PR man, he spends most of his time at his desk, reading through letters and marking them for referral. At times he picks up a slip of

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gray paper with an inarticulate phone message typed on it and says, "Here's another! People are really stupid." Woods then turns to his typewriter with an air of efficient boredom. At an adjoining desk, a secretary wearing earphones types up the litany of troubles coming off the tape recorder. A few cases are put aside to be handled by phone, but most are routinely mailed out to the offending businesses. The paper receives an average of 150 queries a day. Today Woods is particularly proud because he has managed to fulfill a dying Briton's request to find the man's old World War II chum from Baltimore. "It's very gratifying," Woods says.

Like other Action Line editors around the country, Woods has to be selective about what he publishes. "We look for items that are of particular reader interest or informative," he says. Near his desk there's a pile of corporate and government responses to the *Evening Sun*'s routine inquiries. They will not be followed up, except for a few of the publishable items, because of time and staff limitations. "We're proudest of the way we're helping little people, the poor, the blacks, people who don't speak well or write well," he notes. The letters bear him out about the kind of people who seek help from Direct Line—many notes are scrawled and ungrammatical—but they hardly support his contention that Direct Line is helping everyone. One letter, from a puzzled welfare lady seeking to sublease a friend's apartment in a housing project, is answered by a housing official who outlines all the reasons why he can't meet her request. Woods picks it up and says, "I think I'll use that in the column." Why? "At least the guy explained why he couldn't do it." Other letters in the pile cover questions about sales tax, faulty tires, Social Security insurance, and excise taxes.

Many of the official replies don't resolve the original complaint, but will likely be chalked up as part of the "effective action response." For example, there was a lengthy letter from a disabled 56-year-old construction worker asking for a Social Security hearing on a rejected claim. His claim was turned down even before the agency received documentation from his doctor. In the letter he says he has only a seventh grade education, and notes, "On Nov. 1, I wrote a letter to Congresswoman Mrs. Marjorie Holt in regards to this matter as I am not sure that she has received my letter as I did not know the correct address. . . . "

Here is the official "response": "Mr. Carl H. filed for a hearing, which was received in the Annapolis office Oct. 3, 1974. Our records do not show the result of the hearings. SSA will follow up and keep in touch with Mr. H." Social Security may or may not keep in touch with Mr. H., but Direct Line is unlikely to follow the case up. It is, after all, just another Social Security item.

It's surprising that Direct Line has any success at all, because of its refusal to print company names. Time after time, a reader has to make guesses about an item like this: "Last July, I purchased a bean-bag chair from a Washington department store for delivery to my son in Baltimore. I paid $35 and have my canceled check, but my son never received the chair. I've tried to resolve the matter both by telephone and by letter but without success. Can you help me get my money refunded?—H. O. McC., Lutherville."

The *Evening Sun* answers, "A note signed by J. Young stated that 'a check for $36.19 was issued in full refund on payment of the bean-bag chair which was never delivered.' " Case closed.

The *Evening Sun*'s readers might have a few more questions about this correspondence: What department store takes from July to February (when the column appeared) to acknowledge the complaint? Why didn't phone calls and letters work? Why didn't the company deliver the chair in the first place?

Woods defends the no-name

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policy. "You'd have to have a battalion of lawyers, and we don't have that kind of staff. We do give the product and the city, so people can figure it out for themselves. And we give attribution to the company spokesman, which puts the guy on the spot." He admits, though, "We are quicker to use the name if it's complimentary." But the *Chicago Tribune*'s Kenan Heise, whose column does print names, criticizes the no-name approach: "You totally lose credibility. If somebody gets taken at a store, what use is it if you run a skeleton of the facts? Any column that does that is more or less just a filler."

Pinning the Blame

The *Evening Sun* is not alone in its timid approach. According to an extensive 1973 survey of Action Lines by David Beal, now with the *Milwaukee Journal*, less than half the columns regularly named names. The reason is obvious. As the Baltimore *News-American*'s Jon Stewart explained, "We have to survive as a business. We are more sensitive about advertisers, because they put food in our mouths and money in our pockets."

There are several variations to the no-name policy. Even the most cowardly Action Line will run the name if the company is declared bankrupt or is formally indicted for fraud. Charles Walsh, a former Action Line editor in Connecticut, recalls his own paper's approach: "It was okay to attack small merchants, but we didn't name department stores, because they were big advertisers." Beal found ten papers that named only out-of-town or out-of-state firms. At the Sacramento *Bee*, Action Line reporters tried to out-maneuver their editors' no-name policy in the manner of foreign correspondents trying to fool censors. One column discussed calling a credit card company and drawing "a blanche," while another handled a magazine complaint by calling "the famed men's magazine and talking to a bunny there."

It would be naive to say that the editors have no reason for concern. According to the Beal survey, one third of the papers have received some sort of complaint from companies named in the Action Line, and 13 per cent have faced canceled ads or threats of legal action. Papers that already feel weak will naturally try to avoid this kind of danger. But there is another approach papers may take if they want to develop genuinely effective Action Lines. That is to build such reader loyalty through high-quality features like the Action Line that advertisers will be forced to stay in the paper. The *Los Angeles Times* or *The Washington Post* may tear apart a local retailer for his credit or warranty policies—but because the papers are the best way to reach the market, any businessman who withdraws his ads will be putting emotion over self-interest.

The Baltimore-Washington Action Lines, unfortunately, have chosen the timid approach.The papers simply avoid controversy by making cryptic references to, say, "a Bethesda travel firm" or "a large New York toy store." The result is that businesses and agencies don't feel compelled to respond to Action Line requests. Jon Stewart of the *News-American* is surprised that companies even bother to respond at all. "We use their fear of putting names in the press, but almost none of the companies realize that we don't actually print names."

By not doing so, they have given up the most powerful weapon at their command. One of the most maddening features of the modern world is the facelessness of the large institutions, and their consequent lack of accountability. In small towns there is a premium on fair dealing, because otherwise all the neighbors will find out. But in the large cities and the giant organizations, there is small incentive towards honorable behavior because there are no "neighbors" watching. The businessman can bilk his customer, the public official can

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ignore a case, and both of them know that no one will ever point the finger. In potential at least, Action Lines are the single most effective remedy to this situation, because they can restore two kinds of accountability. By naming the institutions, they can undermine the businesses which operate in the dark, depending on a pool of fresh suckers. And by naming the individuals within the organizations, they can restore a measure of small-town accountability.

Action in Rochester

To understand what kind of clout these papers are deliberately foresaking, we need only to look at the aggressive policies of an Action Line on a Rochester newspaper, the *Democrat and Chronicle*. Until 1972 the column was run by Jim Blakely, now in the advertising business. Under Blakely, the Gannett chain paper was transformed into a powerful consumer advocate. The willingness to print names was the key to its success.

The column staff consisted of Blakely and one secretary; later he got an assistant. Blakely viewed the column as a "court of last resort," so he used a screening process which allowed him to handle the most serious complaints. From an average of 50 letters a day (he didn't accept telephone complaints), he selected those that had made "reasonable attempts to solve the problem." He says, "We weren't going to hold everybody's hand." Light, trivial questions were dropped, and he ignored questions that could be answered easily by a trip to the public library.

One way to get results, he found, was to repeatedly publish the names of companies and agencies that received complaints—until they became more responsive. "After beating the hell out of Social Security for a while," he says, "we didn't have to bother. They became cooperative." Another method was to print the names of stores that "told us to mind our own business." He notes, "It was our way of telling the community that a certain store wasn't interested in you, the consumer." The column also didn't back away from occasionally naming doctors or lawyers who were screwing the public—a move that was, and is, almost unknown among Action Line columns. Most remain satisfied to refer those kinds of complaints to the local toothless bar association or medical society. Blakely also referred cases to the medical society—but followed up to see what kind of action was taken. As a result of the column's vigilance, one doctor was expelled from the local medical society. With errant lawyers, Blakely simply went over the head of the bar association to an appellate court judge with disciplinary powers. He remembers one lawyer who ended up reimbursing a couple for tax penalties caused by his own laziness. "It was seat-of-the-pants justice," Blakely says.

The column also served to strengthen the local consumer movement, including the usually weak Better Business Bureau. In this case, the Bureau cooperated with the column, and Blakely took to printing the names of businesses that didn't satisfactorily reply to Bureau inquiries within 30 days.

This willingness to name names also enabled the column to put heat on slow-moving government bureaucrats. Blakely remembers one Albany official who simply refused to send out state college scholarship money due Rochester residents. If he didn't respond, Blakely vowed to run his name every day in the paper until he changed his mind, coupled with daily telegrams to then-Governor Rockefeller. "He became cooperative," Blakely says. "A guy's attitude changes when his job's on the line."

A persistent Action Line column can have a dramatic impact on services in an area. Blakely cites the case of a national insurance company that was the subject of frequent complaints to his column because of poor service to policyholders. "We just kept running the complaints until none of their in-

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surance salesmen in a nine-county area was able to make a sale. People refused to deal with them. Finally the executives from the national office came down to straighten things out."

Blakely notes that he received no managerial or advertising pressure, and that the publishers and editors were pleased with the column. "In three-and-a-half years, we didn't get one law suit." He adds, "The smart businessmen in town saw it as a good check on their customer relations department."

The danger with Blakely's approach is that a column too eager to fix blame can easily be abused by an unscrupulous editor. Action Lines provide a ready outlet for those with vindictive tendencies. Careers and reputations can be smashed at will, small merchants driven into bankruptcy. But the potential abuses underscore the need for newspapers to use their power wisely and responsibly, and for them to understand that Action Lines are more than cute features to boost circulation.

Using Clout

To return to the ineffective-but-typical Action Lines in the Baltimore-Washington area, the contrasts with the Rochester column are depressingly apparent. These papers are all too eager to take the institution's word at face value, and to slough off the complaints that can't be easily answered. All in all, they're hardly champions of the consumer.

Admittedly, most papers view themselves as neutrals, seekers of truth, rather than advocates. Nonetheless, that's not enough to excuse the shoddy performance of papers like the *Washington Star*, especially when it has three Action Line reporters. An example of the *Star* column's lack of clout came in the section entitled "Reaction Line," in which the paper admitted that a store didn't follow through on a previous promise to Action Line. All the while, of course, readers were left to puzzle over which "radio shop" was the target of the complaint.

In many cases, nothing is even *solved*, which is all too typical of this brand of Action Lines. Take some common examples of reader service. On bus damage to a car: "Repairs will be made promptly, he [an official] assured Action Line." On recourse with a rigged odometer: "You might ask your dealer to give you the former owner's name, because it might have been that owner who turned back the odometer if it has, in fact, been turned back." On buying a fake antique painting: "The woman who sold you the picture provided Action Line with the name of her source for it. Her source said that if you will provide him with documentation that the picture isn't a painting, he will refund the remaining $50 to you. If you have any problems, let Action Line know." On a broken street light: "Pepco checked the light at night and found it functioning and the circuitry OK." The theme underlying this kind of low-keyed Action Line reporting is unblinking faith in the good will of business. Jon Stewart observes, "When they write us and say it's being taken care of, we have to assume it's been done." Action Lines that take this approach are the journalistic equivalent of the Better Business Bureau.

The major excuse given for almost any flaw in an Action Line is the staggering volume of complaints, which requires some sort of selection process—which is, in fact, a serious problem. The *Star* receives a thousand complaints a week. The bulk of complaints tends to be similar: delayed government agency benefits, unreturned refunds, faulty repairs, mail-order fraud, and needed municipal services, such as road repairs or garbage collection.

The editors are right in feeling they must be selective; the complaint against them is that they make the wrong choices. Overly concerned about "reader interest," the columns print a surfeit of light, fluffy items to the exclusion of the "duller" items which may be of more genuine con-

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cern to the readers. One way to illustrate this problem is to consider how it affects even the best of the large-volume Action Lines, that of the Detroit *Free Press*.

Under its editor, Gene Guidi, the column runs about 40 items from the roughly 2,500 queries it gets each week. Backed up by five researchers and two secretaries, he wields a good deal of power through his front-page column. He explains his choices: "We are still a newspaper, not a consumer protection agency. We like to see if there's reader appeal, and if there's truly a need involved. We'll do work for those who have exhausted other remedies, but we like to handle cases that will provide information for a few thousand others." He adds, "At one time we were leaning too much in the direction of individual complaints. Each day, there were six satisfied people out of a million-and-a-half readers, so we needed a greater degree of reader interest." The paper tends to use only those questions that are successfully solved. The column's main achievements are dramatic victories such as saving a mongoloid baby from deliberate medical neglect or prying loose $7,500 in insurance money. Most other questions are either light or "informative," because, as an internal memo said, "You can only conquer Social Security so many times."

As one critic comments, "These columns are a beautiful opportunity to put the muscle and power of the press into the hands of the little guy. They shouldn't be devoting their time to questions on how to get chewing gum out of a blue serge suit. Those kinds of questions have no valid place in an Action Line column." What's worse, he notes, is that columns that run light items tend to draw that kind of mail—which suggests that the Action Line editors themselves can define how broad their scope will be. If they start publishing serious queries about, say the local hospitals, more of their mail will be in that vein.

Editors defend the stress on light, human-interest items. "We like to keep it balanced, so there's not too much drudgery," says Dan O'Malley of the *Daily News*. At some papers, this means handling trivial questions that could be answered at any library. The worst offender, in this as so many other areas, is undoubtedly the *Los Angeles Herald-Examiner*, which features questions like: "Can you please tell me when Irving Berlin wrote 'God Bless America' for Kate Smith and when did she first record it? We should adopt this song as our national anthem, it really sends chills up my spine." The column has the nerve to bill itself as a "reader service cutting through red tape to get your answer." But the *Herald-Examiner* mentality permeates other Action Lines as well, which answer pointless little questions in pursuit of the daily chuckle.

This distorted emphasis is revealed in trade publications like *Editor and Publisher* in which articles on Action Lines reveal the cases the papers are proudest of. Here are some of the highlights of the *Free Press*' crusades (and remember, most columns are worse than this one): "Action Line's accomplishments have been both plentiful and unique. It has campaigned successfully on behalf of a woman reader who complained that D-cup bras unfairly cost more than smaller sizes; defeated a braggart bass fiddler who claimed he was the fastest-plucker in town by arranging a contest with someone still faster; provided the proverbial two front teeth for Christmas for a boy who really needed them."

Moreover, the requests for hard-to-find items—"Where can I find a pink llama-skin coat?"—often amount to little more than plugs for local businesses. And in fact, many of these queries are actually planted by friends of a manufacturer seeking free advertising.

A fundamental misconception here is that trivial questions are needed to attract reader interest. In fact, the Beal survey, backed by the Associated

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Press Managing Editors (APME) group, statistically proved that columns that stress problem-solving are more popular with readers and, not surprisingly, solve more problems. Still, editors feel a compelling need to find a bedsheet bearing a picture of linebacker Dick Butkus or a salon that buys fingernails. (Yes, these are real requests.)

The greater problem with printing these featherweight items is that the serious but unpublished complaints are simply ignored. A recent academic study under the direction of Berkeley anthropologist Laura Nader indicated that over half the columns don't try to solve problems unlikely to be published. Those that do rarely go beyond routine referrals to the complained-against company or agency. Many papers contain a disclaimer similar to this one printed in *The Philadelphia Inquirer*: "Action Line editors consider every request you send us. We publish the most interesting and helpful answers. We regret that we cannot answer, or even acknowledge, individual requests." Kenan Heise, the aggressive editor of the *Chicago Tribune*'s column, claims they handle 90 per cent of their 2,000 weekly queries and says of some other papers: "I personally am totally disgusted at columns which cream off a few and throw the rest in the waste basket. It is a misuse of public responsibility and a blotch on journalism." He adds, "These papers are more cynical than the companies we deal with. It's as if you were hungry and had to prove that your hunger was unique."

After studying a number of ombudsman-like operations, Michael Mattice, Laura Nader's researcher, says, "An Action Line is the last organization I'd think of sending a person to. There's no consistency, it's all done on an ad-hoc basis."

Handling the Flood

Action Line columns *are* capable of servicing the public, attracting readers and solving unpublished problems—all without unnecessary strain on budget and staff resources. How? A look at a few successful operations gives some possible answers.

A reasonable first step is to refer the complaint to the target with a covering letter asking for an explanation, noting that the answer might be published. The New York *Daily News*, with a four-person staff, is able to do this, and the request has considerable clout, because of the knowledge that the *Daily News* won't hesitate to print names.

But the missing ingredient of practically all Action Lines is a systematic follow-up of all referred cases. Even the largest Action Line staffs are too busy nailing down the facts on publishable cases to concern themselves with the less dramatic ones. The fear of many editors is that their column will end up like that of the St. Louis *Globe-Democrat*, one of 14 papers which closed down Action Lines by 1972. The *Globe* editors agreed to answer every question, and they discovered to their horror that it took a 19-person staff. The paper was blitzed with 13,000 questions a week. The only way to avoid this overloading is to pull out the telephone lines, develop a tough screening system to remove the frivolous written complaints, and then give serious and sustained attention to the complaints that remain.

Newspapers might learn these lessons from a few broadcasting stations around the country that are handling consumer complaints. For example, WRC-TV in Washington, D.C. actually tries to solve the problems that don't go on the air. According to a spokesman for the "Contact 4" program in Washington, every one of the 100 letters a day they receive is acknowledged and pursued until the case is resolved, not merely referred. They won't, though, handle problems that are in litigation or that should only be taken care of by a priest, psychiatrist, or lawyer. The show claims to save the consumers who use the service a total of $1,000 a day.

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The key to their success is simple: staff. They have five investigators, plus the help of 15 George Washington University Law School students working out of a consumer help unit for credit. The law students are supervised by a skilled professional.

Broadcasting stations and newspapers rarely make use of volunteer investigators and researchers. Most of the legwork for the Action Line column can be done by bright, hard-working people capable of learning two basic reportorial skills, asking questions and checking facts. And virtually every community of reasonable size has dozens of law and journalism students eager to put their talents to work. The addition of carefully screened volunteers would enable Action Lines to go beyond referrals to become day-to-day ombudsmen, while giving the students invaluable experience. Most editors, however, seem to prefer the old ways, content to rely solely on their own reporters, while complaining about under-staffing. Yet the move to use local talent must be made if Action Lines are ever to be more than, at best, half-hearted referral services.

Surplus Dirt

One of the columns' great potentials is as a source for investigative stories and continuing information about community institutions. Coming in each day are a tremendous volume and range of complaints that should give any alert news editor a sense of what's wrong in his community. The columns can be attuned to citizen needs in a way that no other institution can. Too often, though, the daily tide of queries makes it difficult to stand back and examine long-range trends. When the St. Louis *Globe-Democrat* closed down its Action Line, one editor commented, "It was really very good for a while and then the questions became repetitious. It just wasn't worth the space." Apparently, it never occurred to the editor that there might have been something wrong in St. Louis that prompted such repetitious complaints. Instead, the citizens were blamed for being boring, and their grievance outlet was shut down.

Of course, virtually every Action Line editor I spoke to was able to point to a few investigative series stemming from Action Line problems—subjects like pyramid sales, shoddy mobile homes, and sales frauds. The columns also provide spin-offs for human-interest stories. But Action Line editors react only to the items with the most obvious news potential. What's missing is systematic communication between the Action Line column and the rest of the newsroom. One of the best Action Line editors, Kenan Heise, admits, "We do work with the city desk, but not as much as I'd like." The Action Line offices are filled with specific cases on every institution in the community—schools, hospitals, welfare departments, the police, fire companies, insurance firms, doctors, lawyers, courts and so on—but only a fraction of that information is being used. Right down the hall from the typical Action Line office, of course, you can usually find the beat reporters sitting around the newsroom moaning about the lack of story ideas and the drudgery of covering official statements. All of them wish they had their own Ideal Source, like Woodward and Bernstein's "Deep Throat." Rarely do they stop to think that Action Lines might be better than Deep Throat.

To be sure, there is already some contact between the Action Lines and the news desks, but with few exceptions it consists of an exchange of "tips" and rumors of scandal. All too rarely do the editors attempt any systematic analysis of the pattern of complaints, to see what it reveals about the performance of local government and business. Such an analysis might provide newspapers with a more sensitive sort of feedback than any public agency gets—might make them the "fourth branch of government" in a far more meaningful way

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than is now the case.

Part of the blame for this missed opportunity lies with the news editors, but part also belongs to the Action Lines for shaping the kind of complaints they receive. By stressing only the most obvious complaints and odd-ball questions, they, in effect, discourage their readers from sending in information on the more sacrosanct institutions, such as the schools or hospitals. Leads that might be useful to reporters just aren't available in sufficient volume. But by actively searching out and publishing the widest range of complaints, editors would be able to draw to Action Lines a rich variety of information about every facet of community life. This added role is, undoubtedly, a serious new responsibility for any newspaper, but one worth undertaking.

The other factor in the distance between the Action Line office and the city desk is the second-rate status assigned to Action Line staffers. Kenan Heise says, "People tend to think that the columns get written by themselves, that they're dumping grounds for the office drunk or weak writers. But we deserve good people." Jim Blakely comments, "You can't work with dummies, it's not a place for deadwood. But it's a beautiful training ground for new reporters to serve their apprenticeship."

At too many papers, however, Action Lines are not drawing the most committed reporters. Action Line staff posts are often viewed as dead-ends. Actually, as Action Line editors and reporters told me, the job can be both professionally challenging and personally rewarding. It allows a reporter to use his skills in a way that directly helps people. But if a reporter's work on the column is not drawing recognition elsewhere in the newsroom, it robs him of professional pride and ultimately blunts the column's effectiveness. Moreover, Action Lines shouldn't be just the province of the less prestigious papers, seen as mere filler for the working classes, but, rather, as an opportunity to shine for the under-used talent of the metro staffs of papers like *The New York Times* and *The Washington Post*, which now devote their time to events like shopping center openings.

Action Lines can also serve to heighten concern with day-to-day realities in the rest of the paper, as opposed to the concentrated attention on the world of official spokesmen. But the columns often have the reverse effect, says Charles Walsh of *Media & Consumer*. They provide editors with a convenient excuse not to do street-level consumer reporting.

The potential of Action Lines is not even limited to the improvement of journalism. They can aid law-enforcement and other agencies in monitoring problem areas (some already do) and serve as a resource for legislators seeking to shape new laws. As the outlet for a wide range of citizen complaints, Action Lines could be a most valuable national storehouse of information.

The current success of Action Lines, even with all their flaws, underscores both the power of the press and the failure of so many of our institutions. Reporter Lea Thompson of Washington's WRC-TV says after little more than a month of handling complaints, "My God, we're filling such a void. Consumers are pretty desperate." It's clear that the press—through the default of others—has some serious responsibilities to fulfill.

The power of the press lies not in the superior abilities of reporters, but in the impact of publicity. In a more perfect world, the power to resolve complaints could be shared by everyone. But until the millenium comes, we'll have to settle for Action Lines. The potential for these columns is almost unlimited. They can revitalize our local institutions, reform the daily operations of business and government, even change the nature of democracy. But as long as they stick to finding llama-skin coats or saving only the most colorful victims, they will be a long way off from becoming true Action Lines. ■

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INVESTIGATIVE REPORTING:

Is It Getting Too Sexy?

by Timothy Ingram

"I think it's going to get incredible," says Melvin Mencher of the Columbia School of Journalism, who was teaching seminars on investigative reporting when it was still considered a grubby trade. "Every little paper in the country and every reporter on a beat is going to want a scalp." As journalism schools, including his own, bulge with would-be Woodwards and Bernsteins, and reporters on every paper in the country try to nail a prominent hide to the wall, "investigative reporting" has become the profession's most popular—and most worrisome—gimmick.

"Ninety percent of these smaller newspapers have no tradition of this kind of digging, no editors with experience in it," Mencher says. "A lot of poor devils in public office are going to catch hell for simple mistakes. When the movie comes out, I guess it's going to get worse."

Timothy Ingram is a contributing editor of The Washington Monthly.

"The movie," of course, is the Robert Redford All-Star version of the Watergate case; the apprehension is that it may exaggerate the set of double standards under which many people publicly denounce political dirty tricks while glamorizing the dirty tricks of journalists who pressure middle-aged bookkeepers for information or filch private telephone or credit records.

According to Ben Bagdikian, a former *Washington Post* national editor and ombudsman, this trenchcoat psychology could easily lead to frivolous exposes and shoddy reportorial practices. The added pressure to unearth the "big stories," Bagdikian says, will make it almost impossible for reporters to resist pursuing the "easy fish," the scandal stories where information is obtained by dubious means.

"Editors want to look like investigative editors—but on the cheap," explains Bagdikian. "They tell a good

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reporter to come up with a story in two days. . . . It usually results in stories based on half-information and bad sources."

Even the tabloids are boasting of their tough muckraking approach. The *National Star*, "America's Lively Family Newspaper," recently headlined "Two New Shocks in the Kennedy Saga" under the credit, "by Star Investigating Team." The transition from kidnappings and mutilated babies to the political inside story has been made.

No newspaper has calculated the promotional value of "investigation" more closely than the Detroit *Free Press*, whose day-to-day coverage is mediocre but which pulls out all the stops on 10 or 12 investigative stories each year. The stories are designed to win Pulitzers, and often do. Even when they do not, they give the *Free Press* a national reputation out of all proportion to its daily performance.

Clearly, we are in the midst of an investigative craze—a craze that has obvious potential for good, even as it presents a less obvious danger of harm to both the profession of journalism and the public at large. It is with these dangers that this article is concerned. We see five that concern us the most.

Seducing the Source

The first hazard of investigative reporting concerns the actual means used to collect the facts. There are many methods of investigation, some of which are clearly improper. Others, however, are well within the commonly accepted rules of this rough game. A journalist may pretend, for example, to know all about X in order to seduce his subject into confirming his information; this confirmation, in turn, may reveal bits about fact Y, the checking of which may lead for the first time to Z. Generally the reporter approaches his source indirectly: "We have enough to run with now, but in the interests of accuracy I'd like your version of what happened." A variant is to convince the source that you have heard an incredibly shocking tale about him but are uncertain whether to print it. In his anguish, he is bound to spill his side of the story.

Sometimes these calls will be timed to catch people off guard: phoning the subject at home in the evening after he has a chance to unwind from the day, and perhaps is loosened by a sip of Scotch; or at 6 a.m. in hopes of catching him half-asleep.

Perhaps the most accomplished telephone technician is Seymour Hersh, now of *The New York Times*, who unearthed the My Lai massacre, and since has been generally regarded as the best investigative reporter in the country. Hersh's technique is to wear down reluctant sources through tenacious pursuit by phone—often badgering, terrorizing, insulting. "I don't know of anyone other than Don Rickles who can be as disgustingly insulting, yet have the right touch for getting someone to respond," says a former colleague. Hersh makes one phone call after another, trading on fine bits of information, and then milking more with sarcastic bursts of "Ah-h, come *awwn*." Those who have experienced the Hersh treatment are usually either amazed by it, or appalled. "What's with this guy?" one subject said afterwards. "I tell him honestly I don't know anything, and he's yelling and screaming at me and going into tantrums."

James Angleton, who resigned from the CIA last December the day after a Hersh story charged him with being the overseer of a "massive, illegal" domestic intelligence operation against antiwar activists, had one term for Hersh: "son-of-a-bitch." Angleton said Hersh had awakened him one morning at seven to interrogate him about a story in that day's *Washington Post*. Angleton told a *Post* reporter, "I find Hersh's prose offensive to the ear. And his speech. . . I won't go into how I find that."

Free Enterprise

Angleton, not unexpectedly, con-

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siders such calls improper. It should be remembered, though, that the subjects of Hersh's aggressive, often vulgar, approach are public servants. While they do have a right to privacy and a good night's sleep, they must be prepared to answer questions about their official conduct, even when the questions come in unorthodox forms. And, when dealing with a man like Hersh, the officials have fair warning that he represents the *Times* and is looking for information he can publish. At the opposite extreme is the reporter who hides his connection with a newspaper, and obtains a story under false pretenses. The distinction—between the Seymour Hersh who announces he is a reporter and the journalist who masquerades as a cop, a waiter, or whatever, in order to trick his source—is significant, although the ethical guidelines are not always easily drawn.

Al Lewis, *The Washington Post*'s veteran police reporter, for example, was the only newsman inside the Democratic headquarters at the Watergate on the morning the five burglars were arrested. Wearing white socks and looking very much the cop, Lewis simply accompanied the acting police chief past the 50 reporters and cameramen cordoned off from the Watergate complex by the police. Once inside, Lewis took off his jacket, sat down at a desk, and occasionally pecked at a typewriter. He looked for all the world as if he was supposed to be working there. With a phone at his desk, he was able to provide the *Post* with a description of the office floor plan, details about the surgical gloves and lock-picks and jimmies used, and the name of the security guard who foiled the break-in. Lewis sees nothing deceitful in his actions—all he was doing was remaining anonymous. He never *told* anyone he was a policeman, and presumably had anyone asked, he would have disclosed his true identity.

A similar case occurred in the spring of 1969, when Richard Helms, then-director of the CIA, was scheduled to speak at a dinner meeting of the Business Council, an organization of some 150 top businessmen at the Homestead in Hot Springs, Virginia.

Helms' speech was officially off-the-record and closed to the press; moreover, Helms would not be briefing the press on his remarks afterwards. This caused some grumbling among the reporters at hand, but individually they began to make their own arrangements to have friends in the audience fill them in later. As followers of last summer's impeachment hearings have learned, such second-hand accounts are not always the most accurate.

Jim Srodes, then with UPI, was in Hot Springs for his honeymoon. When he learned about the speech he went into the hall outside the dining room and twisted doorknobs until he found himself in the hotel kitchen. Helms' voice was booming through the room; a loudspeaker had been set up so that waiters would know when the speech was over and they could go in and clear off the tables. Srodes simply stood there and started taking notes.

Was this ethical? Most reporters would agree his actions showed more enterprise than deceit. The speech, as it happened, was a diatribe about the horrors of communism. Helms made a number of policy assertions which would normally be considered beyond his purview, referring to the "morally bankrupt Kremlin leaders" and the futility of disarmament talks. Russia and its satellites, in Helms' terms, were "the bear and its pack of wolves."

Once he had the story, however, Srodes' troubles had only begun. UPI refused to use it. When Srodes called in his exclusive, he says, the UPI night editor told him the story would hurt UPI's world-wide relations with the CIA and its ability to get other stories. The story finally ran, Srodes is convinced, only because a *Washington Post* reporter to whom he told his tale that night had the *Post* make a client request to UPI for the story—the gun-to-the-head for the wire services, where a client paper in effect says we

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know you have the story and we want it.

At a certain point, however, the reporter crosses the line that separates enterprise from deceit. Harry Rosenfeld, then the *Washington Post*'s metropolitan editor, says that shortly after Howard Hunt became a suspect in the Watergate break-in, Rosenfeld could have obtained Hunt's telephone records through impersonation. The usual method of doing so is to call the phone company's business office and, posing as the person being investigated, claim that you don't recall making certain long-distance calls charged to you. You then request the business office to double-check the numbers and dates of the calls and report them back to you. (A similar pose is used with credit companies to "re-confirm" a loan, or with airlines to check a passenger's flight travel.) Rosenfeld says that *Post* executive editor Ben Bradlee vetoed the subterfuge.

Not all journalists are so moral. There was Harry Romanoff of the now-defunct *Chicago American*, a police reporter who, without leaving his desk, would assume a dozen different disguises in his pursuit of a hot lead. Harry's colleagues referred to him as "the Heifetz of the telephone." He would work a phone 12 hours a day, masquerading as sheriff, governor, sympathetic stranger, or whatever character fit the occasion. After the 1966 mass murder of eight Chicago student nurses, he managed to get the gory details of the deaths from a policeman after introducing himself as the Cook County coroner, and to interview the mother of the suspect, Richard Speck, by pretending to be her son's attorney.

Few reporters use trickery as freely as Romanoff, but many have been tempted. What is wrong with this practice is not just its dishonesty—although that is no insignificant point. As James Polk of *The Washington Star*, who won a Pulitzer last year for his reporting on campaign spending, puts it: "The ethical question is clear. If reporters are dedicated to openness in government and openness in subjects they cover, then they can't use covert methods themselves."

There is, moreover, a practical problem—false premises can result in false information. A reporter conceals his identity in order to hear things the source would not intentionally tell the press. But he may also hear things the source would not tell the press because they are untrue: the source may be lying to impress a stranger; the information may be wrong, or couched in terms that are misunderstood; the person may be careless in what he says because he doesn't think he is speaking for the record.

The ethical rationale for misrepresentation, then, is that an individual has a right to keep his thoughts private and to know whom he's talking to. The practical rationale is that the reporter may get stuck with bad information.

The *Star*'s Polk explains: "I think it's more effective to identify myself as a reporter for a Washington paper because, frankly, it carries a little more clout. Most persons you start asking questions of want to explain what they do, and why. They're leery of really getting a rap in the press and think if they turn the reporter off by being uncooperative they've got more chance of getting rapped—which is possibly true. So, if, instead of asking them to *defend* what they've done, you ask their help in *explaining* what they know about something so you can sort it out in your own mind—why, then you get results."

Private Sins

If the first hazard of investigative reporting lies in the way the facts are collected, the second is in their use: is a reporter justified in publishing damaging material about people or institutions, even if the facts are true? In the aftermath of the Wilbur Mills episode, we seem certain to be treated to a "new candor" in the coverage of our public officials. This would be

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fine if it meant a less deferential treatment of their public activities. But the apparent effect has been open season for comment on the *private* lives of public figures. Whatever sins against the Republic John Mitchell may finally be called to account for, it is hard to imagine how the public interest is served by seeing the pilfered records of his checking account, which *New York* magazine published last year to prove that he had been short-changing Martha in their divorce proceedings. This is what we're calling "investigative reporting" these days, and such examples show that, when deciding whether to publish or remain silent, reporters and editors are not asking the most basic question: *Is it significant?* The same press which has a duty to fearlessly publish information about the performance of public officials also has a duty not to needlessly defame them.

The distinction doesn't seem clear to many reporters. On a recent television talk show, a respected political writer said, "I dread the first time I spend a day with a politician and find out he's a fag. It'll hurt me, but I'll write it." If the politician's sexual taste affected the way he performed his job—*if*, like Hadrian, he abused public office for the satisfaction of private desire—then, it seems to me, the story should be written.

Raking Muck

A third abuse in investigative reporting is when reporters start working with the institutions of public power they're covering, so that, in effect, they help create stories they will later report.

To give a classic Washington illustration, reporters who cover congressional hearings often chafe with frustration when listening to mushy questioning which leaves major gaps in testimony or whole areas of inquiry unexplored. Although officially they are only observers, some reporters will feed questions and leads to the committee. During the Senate Watergate proceedings, reporters phoned committee staffers after hours with tips or to swap information; some actually sent notes to the senators' table. More traditional reporters, wary of the appearance of collusion, would list the unanswered questions from the day's proceeding in their stories, thereby sending their message to the committee.

The reporters were not asking the committee for special favors; they were acting as any outside citizen might, to provide information. This kind of cooperation between reporters and public officials is not wrong, but there is another that has far more frightening implications. It is best illustrated by an investigation that took place in upstate New York four years ago.

Ray Hill is a hard-drinking Canadian, a bulldog of a reporter. He looks like a cross between TV's "Cannon" and Brendan Behan. His approach is that of prosecutor. He credits his investigations into suburban corruption with 23 convictions and one

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acquittal. Once his targets have been sent up the river, he takes pride in ensuring they remain there and are not paroled early through political dealings.

In the summer of 1970 the *Buffalo Evening News* assigned Ray Hill and Dan Perry to the city of Lakawanna, just south of Buffalo, with instructions to "shake the trees and see what falls." Perry, then 25, had been a leader in a young-turk revolt in the city room, and assignment to Lakawanna was a convenient way to direct his fire outside of town. Also, for the conservative Buffalo paper, writing about Lakawanna was like writing about California: it was politically safe.

Lakawanna, with its giant steel mills and rust-covered rooftops, is a polyglot community of working-class Irish, Poles, Italians, blacks, and Arabs. The town is a muckraker's utopia, where palms are crossed and pockets filled at every political level. Finding corruption, says Hill, is "like tracking a bleeding elephant through fresh-fallen snow."

Within a year, as a result of articles by Hill and Perry, a special grand jury had indicted nine members and officers of the Lakawanna school board; six were finally convicted. They were found guilty of accepting bribes, approving phony vouchers for nonexistent school equipment, and shaking down local contractors. The series won a first place from the New York Publishers Association and was a finalist in the Associated Press Managing Editors awards.

Hill and Perry's first stories were based on solid evidence, such as the canceled checks and vouchers showing that the school board had kept a dead man on the payroll for four years and had paid out $2,645 for a tractor that was never supplied. They were followed by articles about mismanagement, bidding irregularities, thefts, and skimmings.

But like *The Washington Post*'s coverage of Watergate, after the grand jury was empaneled to look into the charges generated by the paper, the direction and momentum of the reporting changed. In an attempt to keep the momentum going, the reporters kept grinding out pieces, just to show that the story was still alive. Often they resorted to artificial exposés by the most dubious techniques.

The following tactics evolved:

■ Feeding the Mills. Hill fed recalcitrant sources straight to the District Attorney's investigators. "We would tell them, 'Interview X. He won't speak to us; but he'll be able to tell you this and this. We know because we have two others in our backpocket who can verify it. If he tells you something else, he's lying to you.' That's how we fortified our investigation all along."

■ Laundering Rumors. "We'd pick up a rumor," says Perry, "such as a Mafia-owned construction company having received a special contract with the board. Then we'd call the D.A., give him the tip, and ask, 'Are you going to look into it?' He'd say, 'Yes,' so we'd run a story the next day, 'Grand jury investigating charges that. . . .' We used the D.A. and the grand jury as a springboard to get our stories printed."

■ Quid Pro Quo. Hill would turn information over to the D.A.s only in return for other information. "Do you want to play ball with me? I want to know what information you're presenting to the grand jury—and I don't want the opposition paper to know." Hill would plea-bargain with a source in return for turning over evidence on higher-ups. His activities went further than bargaining for information. He eventually negotiated legal immunity with the prosecutor for a key source. For example, Hill and Perry located a local contractor who told them he had been approached in a contract bidding shakedown, but he was hesitant to be more specific. "When we talked to the guy," Hill explains, "we told him, 'We can't get you immunity for murder, but if you want immunity for this specific testimony, we won't mention

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your name in the story and we will go to the D.A. for you.' " Hill then persuaded the prosecutor to guarantee the man's immunity in return for testifying before the grand jury. Then he ran the contractor's story.

"What happens frequently," says James Doyle, the press aide for the Watergate Special Prosecutor's office, "is that reporters call up and say, 'Listen, I want to tell you such-and-such; and the next day you read 'The Watergate special prosecution force *is aware of*. . . . ' Okay. He tricked me. But if that guy calls back, I tell him, 'Hey, shove it buddy; I know your number, and I don't even want to talk to you.' "

New York Times reporter David Burnham had interviewed Frank Serpico and Inspector Paul Delise in February 1970 and had written Serpico's story of corruption within the New York City police. According to Peter Maas's biography of Serpico, by late April the story had not appeared. Then Burnham met Mayor Lindsay's press secretary at a cocktail party and let slip that the *Times* had a story involving police corruption in the works, and that it was dynamite. Two days later—to blunt the expected *Times* story, Mayor Lindsay announced that a committee was being formed to look into allegations of police corruption. The *Times* editors at last had an obvious, undeniable hook for the story and Serpico's charges were headlined the next day: "Graft Paid to Police Here Said to Run into Millions."

If the *Times*' editors were confident in the story, there was no reason at all for them to have waited for the newspeg—nor should they wait on similar investigative stories. If its editors are satisfied that the story is strong, the paper should be willing to put its own name behind the story instead of waiting to quote the grand jury. On the other hand, if the case is *not* complete, then the grand jury newspeg is a fraud—and, unfortunately, a most common form of fraud. It reflects again the ineradicable journalistic belief that "responsibility" consists of diligent quoting of official sources. Real "responsibility" means putting the paper's imprimatur on the line as a guarantee that the stories it publishes are accurate—and that the paper will take the consequences if they are not.

Paying the Piper

The fourth abuse of investigative reporting is the boldest of all—"buying" information. The great danger of buying is that journalists may end up staging the news they have paid for. In the mid-sixties CBS is said to have bid more than $30,000 for exclusive film rights to a planned "rebel army" invasion of Haiti. The network apparently had second thoughts when it realized that instead of buying coverage of an invasion it might be subsidizing one.

Most reporters say they would hesitate to pay for news, and would consider the purchased information

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tainted. In eight years of listening to newsmen at American Press Institute seminars, the API's Malcom Mallette says that "only a few have ever related situations where they've paid. There's more chance of error, that they'll get caught with inaccurate information." Informants who talk to the press may have many ulterior motives: revenge, ego, ambition to destroy an opponent, public conscience, liking the reporter—but no motive is so suspect as the mercenary one.

One of the most controversial of these arrangements was *Life*'s purchase in 1959 of the astronauts' "personal stories." Aside from the question of whether government employees should be allowed to profit from recounting publicly-financed experiences, there was a more basic objection. Since *Life* had a vested interest in the success of NASA's space program, the magazine would not be likely to encourage dogged and objective reporting and analysis of the space effort.

Life's purchase of the astronauts' stories had a more profound effect, which helped shape the public reaction to its later investigative efforts, such as the story of Supreme Court Justice Abe Fortas. It was openly speculated that *Life* had kept several Justice Department employees on the payroll to get the information.

Denny Walsh, who joined *Life*'s investigative unit very shortly after its inception in 1967, insists that money was never passed to informants. "The Fortas story," says Walsh, "it was a disgruntled bureaucrat, a guy who saw something happening he didn't like. Simple as that." But Walsh also says that because of *Life*'s reputation of paying for the astronaut story and other "exclusives," every potential informant wanted a hand-out. "Not government people, but others approaching us every day in every way—letter, telephone, in person—with stories and a request for compensation." Walsh swears, "I'll never work anyplace else where every guy crossing the threshold holds his hand out. That was the case with *Life*, in spades."

Because of its many pitfalls, the purchase of information—even more than the other investigative tactics—should be a last resort, the journalistic equivalent of an act of war. As one illustration of the circumstances that *might* justify it, consider this case:

Jack Nelson, the Washington bureau chief of the *Los Angeles Times*, once paid a Mississippi detective $1,000 for police files on two local informants. The story Nelson broke was a complicated one: it involved the FBI, which had paid two Klu Klux Klansmen to set a trap for two other Klansmen, so that this latter pair could be caught in the act of bombing a home. While the Klansmen were attempting to place a bomb in the garage of a prominent Jewish businessman, the police attacked with guns ablaze, killing one of the Klansmen outright and wounding the other. There was evidence that the police never intended to take either Klansman alive. In his story, Nelson questioned an arrangement in which the FBI, in effect, hired murderers and *agents provocateurs.*

The detective had told Nelson about the incident and what the police files contained, and suggested that Nelson give him "credit" for the documents. Nelson says, "I think I could've gotten it for $250." But it was a hell of a story, Nelson says, and the man risked his skin to get the files. "I don't regret paying, not a bit." Nelson says he did not feel uncomfortable because he was not buying the man's word which might be altered or influenced by the money; rather, the detective was leading Nelson to documents which Nelson could independently verify with the FBI and other sources. Nelson viewed it as a finder's fee.

Malicious Intent

The fifth and by far the greatest danger in investigative reporting is lack of fidelity to the facts. Developments in the law of libel during the

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1960s tended to give some reporters the feeling that they could get away with less than the truth. The Supreme Court said in the famous case of *New York Times v. Sullivan*, "The constitutional guarantees require, we think, a federal rule that prohibits a public official from recovering damages for a defamatory statement relating to his official conduct unless he proves that the statement was made with 'actual malice'—that is, with knowledge it was false or with reckless disregard of whether it was false or not."

When reporters think they can safely go to the borderline of recklessness, there is a danger some will cross the line. A recent case illustrates that danger:

James Sprouse was the state Democratic candidate for governor of West Virginia in 1968, running a tight race against then-Congressman Arch Moore, now the governor. Ten days before the November balloting, the Charleston *Daily Mail* unveiled its explosive headlines: "Pendleton Realty Bonanza by Jim Sprouse Disclosed; Cleanup of Nearly $500,000 In View." A second set of banners appeared the next day, reporting on a news conference called by Moore: "Moore Asks Federal Probe Into Sprouse's Pendleton Land Grab; Dummy Firm Seen Proving Corruption." An accompanying editorial, comparing Sprouse's candidacy to "asking the horses to clean their own barn," asked: "More of the Shabby Same or Some Cleansing Change."

Arch Moore was quoted as saying that the "land grab" was achieved with a "dummy corporation set up in the dark of night." The stories implied that Sprouse and his real estate partners had relied on inside information that the U.S. Forest Service would purchase most of the recently acquired property for a recreation area, and balloon the value of Sprouse's remaining sector. One fact was repeated four times in the articles—that the land company had been set up one month before plans for the federal recreation project were announced.

The story had been brought to the *Daily Mail*'s political writer, Robert Mellace, by Arch Moore's campaign manager and press aide, and Mellace said he relied on their investigative talents. Before the story was published, a copy was delivered to Moore's campaign aides, who distributed it to all daily and weekly papers for simultaneous publication throughout the state.

The reporter never interviewed Sprouse or any of the owners, or the real estate agent handling the deal. Instead, accompanied by the Moore PR man, Mellace went to see the property, and placed an appraisal value of $1,000 an acre on an estimated 400 acres remaining in the plot. He arrived at that figure by asking a local motel owner his estimate, as well as a stranger he met in a grocery store while buying a Coke. A land staff officer at the Forest Service who had surveyed and appraised the Sprouse property reportedly showed Mellace land charts indicating that there were less than 100 acres in the parcel, worth no more than $50,000 total; but this was not included in Mellace's story.

Mellace acknowledged in court that the sale was completely legitimate. Mellace said there was never any concealment of the public records listing Sprouse as the land company's president, and admitted he had found nothing to indicate Sprouse and his partners had any inside tip about the Forest Service's plans. As for the $500,000 "bonanza," the remaining property later sold for $34,500, with Sprouse's share less than $14,000.

Sprouse lost the election by less than 10,000 votes. A jury awarded Sprouse $750,000. The State Supreme Court upheld the verdict but reduced the amount to $250,000.

If the *Daily Mail* appeals, it is possible that the Supreme Court will find that Mellace's behavior did not meet the *Sullivan* test of recklessness. It is also possible that the Supreme Court will revise the test by making it

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negligence instead of recklessness. In other words, the test would become: Did the reporter exercise the care of a reasonably prudent man in carrying out the investigation that produced the story and did he have reasonable grounds for the allegations in his story, even if the allegations turn out to be untrue and defamatory? Whether the courts move towards this test or not—in the view of many libel lawyers, it, rather than recklessness, has been the test most consistently implied by the concepts of "abuse of privilege" and "actual malice"—it certainly should be the minimum test that each reporter and his editors bring to the decision of whether to publish a possibly defamatory story.

Rules of Thumb

I believe there are two rules of thumb which reporters should employ in developing a story. The first is the rule of full disclosure. If the contents of a closed-door speech are so significant that a reporter must disguise himself to gain entry, or if a secret report involves such a crucial issue that the reporter is willing to steal a copy, then he and the paper should be willing to disclose the means by which they obtained it. Then the public will have the necessary data to decide for itself whether the reporter's calculation of ends and means was correct.

The second rule of thumb is the natural companion of the first: the reporter must be willing to accept responsibility for his actions. Careless defamation should be recognized throughout the world of journalism as a firing offense. Too many reporters now think of themselves as virtuous Davids who can do no wrong bringing down overbearing Goliaths. They could turn the coming wave of investigative reporting into a nightmare. ■

The Other Side of the Coin

The responsibility we advocate on the part of the investigative press should be accompanied by a burden of responsibility on the part of those whom it investigates and who take it to court. A recent $5-million suit against the worthy but impecunious *Texas Observer* is a reminder of the potential disaster a libel suit represents for all but the richest publishers. Even if the *Observer* wins the suit, the legal fees could easily drive it into bankruptcy. This is a publisher's worst nightmare—that a well-heeled and determined plaintiff will destroy him even when he is telling the truth, simply by appealing to court after court until the publisher runs out of money. This moment will come sooner than later for many of the more interesting and provocative periodicals for whom fiscal fragility is a chronic condition.

A solution would be for our federal and state legislatures to enact a statute providing that a plaintiff pay the defendent's legal fees in any case where the plaintiff is found not to have had a reasonable ground for asserting that he had been defamed. Or, in a reform that would strike fear into the hearts of litigants who are frivolous or vindictive at the same time that it would embolden those who are in the right, the law could provide that in every case all legal costs would be paid by the loser.

Many laymen think this is the way it is for now. It is not. Only in a tiny minority of cases are the winning side's fees paid by the losers.

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political book notes

Public affairs books to be published in April.

America's Oil Famine: How It Happened and When It Will End. Ruth Sheldon Knowles. Coward, McCann & Geoghegan, $8.95.

The Best Defense. Joel Moldovsky , Rose de Wolf. Macmillan, $7.95.

Burn the Schools–Save the Children. David Melton. T.Y. Crowell, $7.95. A well-intentioned look at the pitfalls of modern education, severely hindered by its simplistic tone.

City People. Barbara Lamont. Macmillan, $7.95.

Clout: Mayor Daley and His City. Len O'Connor. Regnery, $10. A detailed look at the Big Boss and his rise in the gritty world of Chicago politics, filled with new information about the Daley of the 70s. But in perception of the Mayor's character, it adds nothing to Mike Royko's classic study. And it's not nearly as much fun to read.

Compulsory Education and the Amish: The Right Not to Be Modern. Albert N. Keim. Beacon, $8.95.

Fair Enough: The Life of Westbrook Pegler. Finis Farr. Arlington House, $8.95.

Financing State-Local Services: A New Strategy for Greater Equity. Joseph S. Slavet, et. al. Lexington.

The Fluoride Question. Anne-Lise Gotzsche. Stein & Day, $8.95.

The Foreign Relations of Iran: A Developing State in a Zone of Great Power Conflict. Shahram Chubin, Sepehr Zabih. Univ. of California, $17.50.

Frank Murphy: The Detroit Years. Sidney Fine. Univ. of Michigan, $20.

The Grand Jury: The Use and Misuse of Political Power. Leroy D. Clark. Quadrangle/N.Y. Times, $7.95.

Health Care Politics: Ideological and Interest Group Barriers to Reform. Robert R. Alford. Univ. of Chicago, $12.50.

Human Being and Citizen: Essays on Virtue, Freedom and the Common Good. George Anastaplo. Swallow, $10.

Improving the Legal Process: Effects of Alternatives. Stuart S. Nagel. Lexington.

Inside the House. Daniel Rapoport. Follett, $7.95. A veteran UPI reporter takes a warm, intelligent, and readable look at the House of Representatives and the folkways of life on the Hill. Two of his best chapters are profiles of Benjamin Rosenthal and F. Edward Hebert. When he examines why the House failed to stop the Vietnam war, he makes an important contribution by highlighting the kind of thing outsiders seldom appreciate–the role of a *staff* member, Armed Services counsel Russell Blandford. But he lets the inept House doves get away too easily, and his general reform suggestions–an eight-year limit on terms and no fringe benefits–are not overwhelming in their originality and persuasiveness.

Jails: The Ultimate Ghetto. Ronald Goldfarb. Anchor, $9.95.

Justice Accused: Antislavery and the Judicial Process. Robert Cover. Yale Univ., $15.

Mediacracy: American Parties and Politics in the Communications Age. Kevin P. Phillips. Doubleday, $7.95.

More Power Than We Know: The People's Movement Toward Democracy. Dave Dellinger. Anchor, $10.

Men's Liberation: A New Definition of Masculinity. Jack Nichols. Penguin, $2.50.

The Myth of the Jewish Race. Raphael Patai, Jennifer P. Wing. Scribners, $12.50.

New Patterns in American Politics. Thomas Reilly, Michael Sigall. Praeger, $10/3.95.

No More School. Howard S. Rowland. Dutton, $9.50.

Oil, Politics and Seapower: The Indian Ocean Vortex. W.A.C. Adie. Crane, Russak, $4.95/2.95.

Personality and Democratic Politics. Paul M. Sniderman. Univ. of California, $13.75.

The Peking Bomb: The Psychochemical War Against America. Gerd Hamburger. R.B. Luce, $8.95.

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The Rise and Decline of Fidel Castro: An Essay in Contemporary History. Maurice Halperin. Univ. of California, $3.85.

Shana Alexander's State by State Guide to Women's Legal Rights. Shana Alexander. Wollstonecraft, $12.95/5.95.

Sharing the Children. Nora Harlow. Harper & Row, $7.95.

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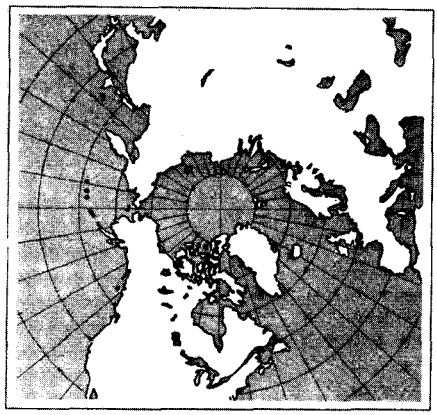

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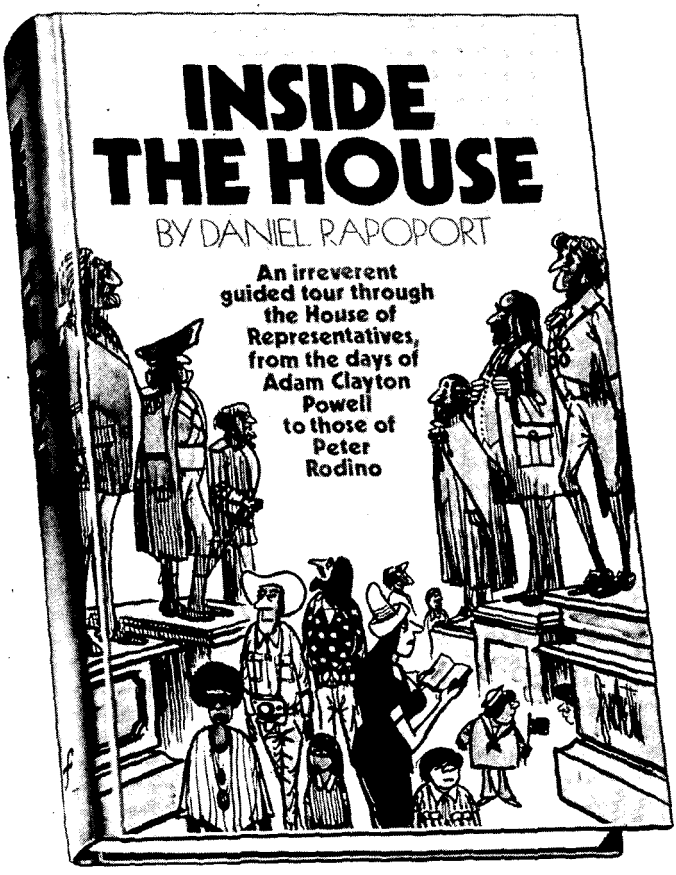

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